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ABSTRACT

Problems in federal rural policy arise in a number of areas: the extreme economic adversity of rural America, failure to acknowledge the higher cost of providing rural services, failure to distinguish between rural programs and agriculture programs, and failure to address specific rural needs. Papers in this collection examine rural development choices in six major areas: income and employment; education, retraining and relocation; utilizing natural resources effectively; reducing rural poverty; improving rural health delivery systems; and financing and providing rural public services. Generally, papers cover the history and current status of policy in the subject area, critical issues that need to be addressed, justifications for a federal role, policy options and their consequences, and priorities that may be drawn. In each area, workshop participants arrived at a consensus on the preferred policy options in each policy area and these choices are also presented. Papers also consider the federal and state roles in rural development policy in the western, northeastern, north central, and southern regions of the country. The final paper, "Toward a Comprehensive Rural Development Policy," outlines major workshop conclusions regarding rural development, federal policy alternatives, and the requirements for policy change. Appendices present program agendas, biographies of program personalities, members of the national steering committee, members of regional planning committees, a copy of the preconference mail-in survey of participants, participants by state, and an alphabetical listing of participants. (DHP)

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Options in Developing a New National Rural Policy

Rural Development Policy Workshops

Fall 1988

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National Rural Electric Cooperative Assn.

The conclusions contained in this publication are the result of the workshop deliberations and in no way reflect the policy positions or carry the endorsement of the above organizations and agencies. Critical rural issues and policy options suggested in this report are the products of a consensus-building process designed to express the opinions of nearly 700 workshop participants. The workshop coordinators worked independently of the sponsoring organizations to compile, summarize and interpret the results of the roundtable discussions. In addition, the authors of the workshop papers are solely responsible for opinions and judgments expressed in their presentations and for the accuracy of their analysis.

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Options in Developing a New National Rural Policy

Rural Development Policy Workshops

Project Coordinators
Ronald D. Knutson and Dennis U. Fisher
Editor: Sue H. Jones

Proceedings of four regional Rural Development
Policy Workshops held in Minneapolis, Minnesota, Sept. 19-21, 1988;
Syracuse, New York, Sept. 28-30, 1988; Birmingham, Alabama,
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Public Services

Preface

This publication presents the results of more than two years of study and consensus building regarding rural policy. It reflects the input of nearly 700 rural leaders from 50 states, 28 national organizations and agencies, and faculty from 20 land-grant universities. This input was received through four regional rural development policy workshops held in the fall of 1988.

The consensus-building process was funded by three government agencies (the U.S. Department of Agriculture, the Department of Labor, and the Economic Development Administration) and two private foundations (the Farm Foundation and the Aspen Institute). Leadership for the project was provided by Extension Service faculty at Texas A&M University.

Each of the five sponsors and the 23 cooperating organizations and agencies was represented on the project's national steering committee (Appendix C) and by member representatives on four regional workshop planning committees (Appendix D).

The regional workshops were held in Minneapolis, Syracuse, Birmingham, and Reno during September and October, 1988. The workshops were consistently complimented for bringing together a wider than normal cross-section of rural leaders including county officials, school teachers, rural health care specialists, local and regional development organizations, Extension Service staff, and state officials.

The basic format for the workshop included a summarization of national and regional papers authored by largely land-grant university faculty. The papers emphasized rural development policy options and consequences. Private-sector respondents who are practicing experts in the development areas highlighted at the workshops served as reactors to the papers. Their presentations were followed by roundtable discussions involving all workshop participants.

The task of the roundtable discussants was to arrive at a consensus on priority issues confronting rural America and on federal government policy options in the areas of income and employment, rural education, rural health, poverty, natural resources, and rural public services. The results of the roundtable consensus-building process were captured in written reports by discussion leaders from each table. This report is based on the roundtable results, the regional and national papers, and a preconference survey of registered participants.

Each workshop was conducted utilizing the same national policy papers and consensus format. Two regional papers were developed for each of the four regional workshops on the major issues of the region and the single most important problem of the region as determined by the regional planning committee.

This summary captures the main conclusions of the four regional workshops and attempts to provide a consensus statement regarding federal policy issues that touch the lives of every rural resident.

Executive Summary

FOCUS ON THE FUTURE

Focus on the Future: Designing a Comprehensive Rural Development Policy

While in most urban areas, the 1980s were years of economic recovery and prosperity, this has not been the case in rural America. The rural economic crisis was fed by depressed conditions in export-dependent industries such as agriculture, forestry and mining. Yet, even when these industries began to recover in the mid-1980s, the rural-urban gap widened. This was due, in part, to the fact that rural problems run much deeper than agriculture and extend to inadequate infrastructure, poor schools, lack of access to quality medical services, and lack of leadership to solve the problems that exist. While rural America may have once been dependent on agriculture, only 23 percent of the 3,106 counties in this country can now be described as agriculture-dependent, but more than three-fourths of the nation's counties are nonmetropolitan in character. For the first time in U.S. history, rural and agriculture are no longer synonymous.

For the first time in U.S. history, rural and agriculture are no longer synonymous.

This economic adversity has developed in an environment where the locus of local business is shifting. Internalization of markets, franchising of businesses and deregulation of the banking system, transportation and other institutions have reduced local control of decisions affecting rural communities. At the same time, federal policies and mandates have transferred responsibility for local services to communities and states without the attendant resources. While the burden of these changes in policy has fallen on all local and state governmental units, the effects on rural governments have been compounded by extreme economic adversities. The requirements for rural leadership and innovation are not being met by the current combination of government policies and programs. A change in federal rural development policy is required.

Situation in Rural America

Rural America was defined, for the purposes of this project, as all areas having less than 50,000 inhabitants located outside metropolitan statistical areas (MSA). In other words, rural America is nonmetropolitan America. So defined, rural America contains about 25 percent of the U.S. population and 90 percent of its natural resources.

Rural economic conditions have worsened significantly in the 1980s. An excellent Economic Research Service USDA Senate report titled *Rural Economic Development in the 1980s*, documented the magnitude of the rural problem as indicated by the following selected comparisons of rural and urban areas in the late 1980s:

- Rural unemployment rates are about 31 percent higher.
- Rural per capita income averages 25 percent lower.
- Rural poverty is one-third higher.
- Rural school dropout rates are higher.
- The rural population has a higher proportion of older inhabitants requiring higher expenditures per capita on health care.
- The rural population has a higher proportion of younger inhabitants requiring higher expenditures on education.
- A slower cyclical economic recovery in rural areas as compared to urban areas has resulted in a widening economic and social rural-urban gap.

While these rural-urban comparisons are legitimate on a national basis, there are substantial differences in the economic and social well-being of rural residents both regionally and within regions. The issues of public lands management and sparse population dominate the rural West, for example, while the rural Northeast attempts to control growth. Even in the rural West, there are areas where controlling growth is a major concern. Concern was consistently expressed at the workshops that federal policies are not sufficiently flexible to deal with diversity both within and across regions.

Contrary to conventional wisdom, this project concludes that there is reason to believe that it costs as much or more on a per capita basis to deliver the **same quality** of public services in rural America as in urban America. This belief is based upon the extra distance involved in rural service delivery and perceived economies of size associated with providing public services in more populous urban areas. It was not the purpose of this project to measure the magnitude of these cost differences. However, if such differences in costs exist, current programs such as Medicare, which provides lower payments to rural hospitals and doctors, **discriminate against rural America**. Likewise, state or federal programs that provide equal aid to rural schools or for rural job training programs may be inequitable since rural schools experience higher per capita operating costs for quality education. Under such policies, government programs may be **widening** the rural-urban gap.

In the past, such differences in the quality of rural services may have been viewed as **one of the costs of living in rural areas. What may not have been realized is that an inevitable consequence of accepting lower quality rural services is a widening gap of economic and social opportunity in rural America.** Rural residents are now living with that consequence.

Status of Federal Rural Development Policy

A clear conclusion of the workshops was that current rural development policy is not adequate, is not tuned to rural needs, and is not comprehensive. Some argued that we have no rural development policy at all.

Limited Scope of Rural Development Policy

The current rural development policy is limited in scope to two series of sectorial programs and a series of national programs with rural dimensions that are not adequately tailored to meet rural needs.

Sectorial Programs. The sectorial programs are housed in the U.S. Department of Agriculture and in the Department of Interior. The USDA administers a host of rural programs, the largest of which are the domestic farm or commodity programs. While farm programs are designed to bolster farm income and prevent decline in farm numbers and agribusiness activity, they are not rural development programs. Many rural areas depend on industries other than agriculture. Despite record spending on farm programs in the 1980s, the rural economy declined.

While farm programs are designed to bolster farm income and prevent decline in farm numbers and agribusiness activity, they are not rural development programs.

As the designated lead agency in rural development, USDA administers extensive rural lending programs through the Farmers Home Administration (FmHA) and the Rural Electric Administration (REA). While USDA lending programs hold substantial potential for dealing with rural business development and infrastructure issues, the policy emphasis in recent years has been to reduce the scope of business development and infrastructure activities. To emphasize the point, USDA's Office of Rural Development Policy was eliminated as an agency in 1985, thus reducing USDA's role in technical assistance. Likewise, the potential contribution of the Extension Service in technical assistance, while substantial, has never been fully realized due to a lack of funding support. One of the bright spots in USDA involves its ERS research components which produced the Senate report on the economic status of rural areas titled *Rural Economic Development in the 1980s*. This report, in combination with the talent reflected therein, holds the potential for providing substantial guidance in USDA's current rural development lead agency role. USDA's Forest Service, likewise, has a major regional impact on the development of rural communities located in proximity to the nation's forests. Related to activities of the Forest Service, concerns were expressed in the workshops regarding the need to balance environmental concerns with area needs for expanded employment opportunities.

The workshop participants expressed reservations regarding USDA's ability to effectively lead and administer rural development programs. This opinion appeared to be held because of USDA's commitment to farm programs and the wide array of programs that impact rural areas but are administered by other federal agencies. Proposals for a new central cabinet level rural development agency surfaced but failed to receive widespread support. Likewise, there was a lack of interest group willingness or understanding regarding why they should have to work with the agriculture committees in pursuing their rural development goals. The participants had not thought about the USDA being the only agency having a largely rural constituency.

The Department of Interior administers sectorial programs having a major impact on rural development through its public land management, parks and wildlife and Indian affairs programs. As in the case of USDA's Forest Service, workshop participants expressed the need to adequately consider rural development impacts in its land management, parks and wildlife decisions. The needs of Indian programs reflect concerns about access to and emphasis on social infrastructure--that is, building the capacity of people to realize their economic potential.

National Programs. Many national programs directly impact rural development. Examples include programs administered by the Department of Health and Human Services, the Department of Housing and Urban Development, the Department of Labor, the Economic Development Administration, the Small Business Administration and the Department of Education.

In addition to the lack of sufficient financial support, the main problem pointed out in the workshops was that national programs are seldom tuned to the specific needs of rural areas. Since the largest share of the resources appropriated to national programs is used in urban areas, initial program design logically tends to be tailored to urban needs. In the apparent interest of program uniformity, the same provisions, rules and regulations generally are applied to rural areas. However, rural needs are generally quite different--if for no other reason than because of sparse population and distance. The workshops and related papers revealed unique problems with regard to rural health, job training, small business and poverty programs. The problem identified in rural health was the disparity in medicare and medicaid payments between rural and urban hospitals. In job training, the unique needs of farmers often are not considered. Small business programs tend to be oriented toward larger urban businesses. Poverty programs often fail to consider the reluctance of people to participate and the problems posed by the distance that recipients must travel to receive benefits.

Policy Omissions

Two major current rural concerns, rural health and rural education, are either not addressed by current policy or are discriminated against. In addition to rural hospitals and rural doctors being discriminated against on Medicare and Medicaid payments, there is no federal program to restructure and modernize the rural health delivery system. The increased incidence of rural hospital closures has created a health care crisis in rural America.

The choice is to pay now to improve rural education systems, or pay much more in the future on social welfare programs.

Regionally, the same crisis exists in rural education. Throughout much of the rural South, expenditures on rural education are far below average despite state governments providing an above average share of school appropriations. In such instances, if the problems of rural education (and inner city education) are to be solved, there may be no alternative to targeted federal aid. Nontraditional approaches may be required. The long-run policy alternative to improved education involves even higher levels of expenditures on job training, adult illiteracy, and social (welfare) programs. The choice is to pay now to improve rural education systems, or pay much more in the future on social welfare programs.

Narrow Definition of Rural Development

From a current federal policy perspective, rural development means physical infrastructure and job creation. The only human dimensions included in rural development are assistance in job training and planning. These elements are important but are not sufficient.

Limiting rural development to physical infrastructure and job creation is an unduly narrow definition of rural development. It is a definition that will not solve rural problems. This criticism of current federal policy is not designed to suggest too much money is being spent on infrastructure and job creation. **It means that there is need for a balance between building the capacity of people to deal with their problems, physical infrastructure and job creation.** Such a balance does not currently exist.

There is need for a balance between building the capacity of people to deal with their problems, physical infrastructure and job creation.

The definition of rural development and rural development policy needs to be broadened to encompass programs that build the capacity of rural residents to cope with change. This requires increased emphasis on education, health care, and programs designed to foster leadership.

Fragmentation of Interest Groups

The narrow definition of rural development policy fosters counterproductive fragmentation among interest groups. Physical infrastructure and job creation advocates fear that a broadened definition of rural development to include rural health, education and leadership would mean less support for their programs. Such a perspective is exacerbated by deficit reduction and related program decisions during the 1980s.

The issue is one of a choice on the part of traditional rural development groups to (1) circle their wagons and protect their existing programs or (2) broaden the concept of rural policy to solve problems from a long-run perspective. For the Congress, the issue is one of establishing priorities. The workshop results generally supported the notion of both a broader rural coalition and higher priority for dealing with rural problems. Such a broadening would include all rural sectors in the rural development constituency -- physical infrastructure, job training, business development, rural poverty, rural health, rural education, natural resources, rural environment and agriculture. Such a broad constituency has the major advantage of representing one-fourth of the population and almost all of America's natural resources.

Critical Policy Choices

Workshop participants recognize that budget deficits create difficult choices for policy makers who seek to solve rural problems. Several of these choices involve issues of equitable treatment. Others involve the willingness to re-orient the thrust of policy to treat the causes of rural problems, as opposed to the symptoms.

Equal Access to Public Services

For decades, many rural residents accepted the reality that living in rural America meant sacrifice in access to public services that were readily available in the cities. Party telephone systems, poorer quality schools, and the lack of ready access to quality medical care were accepted as one of the costs of rural living. Economic decline, outmigration, and increased awareness of urban amenities has made rural residents less willing to pay the price of lower quality public services. Legitimate danger exists that policy and program inequities may be creating a permanently disadvantaged rural society, a society that may be perilously close at hand in many rural areas.

Legitimate danger exists that policy and program inequities may be creating a permanently disadvantaged rural society.

Targeting Rural Areas

Many federal programs designed to aid economic development are national in scope with no rural-urban differentiation. Because of the uniqueness of rural areas, at least in terms of distance, national programs may not be as effective in solving rural problems. For example, in urban America, individuals receiving job training can generally find employment in the city where they live. This may not be the case in rural America where substantial moving costs may be required to find a job for the retrained worker. Likewise, rural schools have unique problems in scale of operation, the distance students need to travel to get to school, and in offering enrichment courses in areas such as foreign languages and the basic sciences.

The workshops concluded that filling the unique needs of rural communities may require specially targeted programs. This does not necessarily mean an increase in government expenditures, but requires a recognition that rural problems are unique and cannot be forced into the same bureaucratic blueprint as urban programs. In other instances, public investments may be required to, for example, restructure rural health delivery systems or provide distance learning concepts to rural schools.

Safety Net for People or Places

Decisions need to be made regarding the objectives of rural policy. One of the most basic decisions involves whether rural policy is designed to help rural people adjust to change or preserve rural communities. What is best for people may not be best for rural communities. For example, some communities may have little or no chance of attracting new business ventures. The interests of some of their individuals may be served best by retraining and possibly relocating to communities offering better employment opportunities. Yet, such retraining may not be in the best long-run interest of community survival.

The tradeoff between helping people versus places is difficult. Communities must make conscious decisions to find their niche. Every rural community cannot expect to become a growth center. Substantial support arose from the workshops for rural programs designed to help communities plan for the future, find their niche, and make the most of their situation. Likewise, strong support for education suggests a basic belief in helping youth achieve their capacity even though the consequence may be increased migration from rural areas. The concept of government policies supporting or perpetuating business that exploits low cost rural labor, while proposed, was overtly rejected.

Subsidies to Business With Locational Disadvantages

Distance may imply locational advantage or disadvantage. A retail business located in a rural community tends to have a locational advantage in serving its population. On the other hand, a business located in a rural community but designed to serve a broader national or international market, may have a substantial locational disadvantage. Potential rural businesses may seek special concessions, subsidies or protection to locate in rural areas and to continue their operations. While the incentives for such subsidies are often substantial, they can mean permanent subsidies of inefficient operations. Examples were provided in the workshops of communities that gave so many subsidies to attract business that, while successful in recruiting these businesses, the communities were worse off. Likewise, workshop participants were warned against interstate competition to attract business or concessions to potential businesses where the objective of those concessions is to overcome inherent locational or other economic disadvantages.

Physical Versus Social Infrastructure

The workshops revealed a major conflict between the advocates of greater emphasis on physical infrastructure and job creation versus those who would place more emphasis on social infrastructure designed to improve the capacity and flexibility of people. In the past, much of the rural development emphasis has been placed on physical infrastructure, that is, improvements in rural road systems, water treatment facilities, industrial parks, and retraining. While infrastructure needs still exist, the consensus of the workshops clearly emphasizes that solving rural problems requires greater concern for the long-run needs of people. Strong rural education systems have the potential for making the local population more flexible, thus attracting business and reducing the need for publicly supported retraining programs.

The long run key is to improve the opportunities and quality of rural life enough for rural youth to get advanced degrees and come back to contribute to rural growth and development.

While arguments in favor of greater support for social infrastructure were found to be plausible, the conflict between the social and physical infrastructure advocates was not completely resolved. As long as budgets are severely restricted, conflicts will continue to exist between these two advocate groups. The workshop outcome suggested that federal programs should place greater emphasis on social infrastructure because the mobility of people makes it more difficult for rural communities to capture the benefits of social infrastructure investments such as in education. In other words, rural communities end up paying for the cost of education and the cities realize the benefits as the brightest and best educated students tend to move. The long run key, of course, is to improve the opportunities and quality of rural life enough for these students to get advanced degrees and come back to contribute to rural growth and development.

Local and state governments bear a larger share of the responsibility for investments in physical infrastructure--unless mandated by the federal government. Where mandates exist, there was strong sympathy for the mandating agency to absorb at least a share of the costs involved in meeting that mandate.

Agriculture Establishment Perceptions

Farmers have perhaps the biggest stake in solving rural community problems. Their children, for the most part, attend rural schools. Farmers and their families drink the water, rely on rural health delivery systems for their medical care, and buy at least a portion of their farm supplies and household needs locally. About half of farmers' net household income comes from off-farm jobs, yet farm organizations have shown relatively little interest in rural development policy. The lack of action by the agriculture committees and USDA reflects this lack of interest.

Conventional wisdom holds that farm programs will solve rural community problems--a healthy farm economy means a healthy rural economy. Such reasoning is simply not true! In many rural areas, agriculture-related business activity does not account for the majority of employment and/or income in rural communities. Equally important, farm programs contain resource adjustment provisions that are designed to remove excess resources from agriculture. Therefore, while farm subsidies may tend to enhance rural economic activity, the acreage reduction and conservation reserve programs curb sales of farm supplies and product marketings. Farm programs are, thus, a two-edged sword in terms of rural development. If, somehow, Congress could solve the farm problem, it would not solve rural community adjustment and growth problems.

Since farm organizations, to a degree, control the agenda of the agriculture committees and the USDA, it is important to know their perception of an appropriate rural development policy. This is the case for both the general farm organizations and the commodity groups. This issue is particularly relevant to the current (1989 and/or 1990) farm bill debate. If less money were spent on farm subsidies, a portion of the savings could be spent on rural development. Such a strategy would appear to be in the best interest of the nation's farmers.

Rural Priority

Where rural issues fit in the ranking of federal spending priorities will have a significant impact on the future of rural America. A continuation of current and past policies will probably mean further widening of the rural-urban economic gap. In 1980, for example, per capita federal funds for human resource programs (education, food and nutrition, health and human services) were $51 in rural areas and $86 in the cities. In 1985, per capita federal expenditures for all functions were $3,192 in urban counties and $2,478 in rural counties, 22 percent less. Two-thirds of the federal dollars that come back to rural areas go for income maintenance -- social security, Medicare, and farm subsidies -- while only 50 percent of the federal dollars returning to urban areas is used for income maintenance. This again puts rural residents at a disadvantage proportionately since they have less money with which to generate new wealth in the form of economic development efforts, infrastructure financing, transportation, etc.

A continuation of current and past policies will probably mean further widening of the rural-urban economic gap.

The issue of disparity that places rural communities at a disadvantage should be addressed at the federal level. Recognizing the uniqueness of rural problems and adjusting programs to fit the causes of these problems would help to move the rural economy forward. Increased federal support for rural development would, of course, shorten the time horizon for sol~~ving rura~~l problems.

The price is currently being paid by rural residents for past neglect of rural development needs. Delaying investment in rural economic development means that future generations will pay the cost with interest.

Need for a Comprehensive Strategy

Solving the problems of rural communities requires a broad, comprehensive strategy designed to make rural America a better place to live and work. The problems of rural America are sufficiently complex that the current combination of sectorial programs and national programs has not been effective.

Sectorial farm and federal lands management programs are two-edged swords that both encourage and discourage economic development. National programs are not sufficiently targeted or adapted to rural conditions. They often deal with symptoms rather than with problems. Insufficient attention has been given to the capacity of the rural population to deal with their problems.

Unless rural America is provided equal access to public services of the same quality as the urban population, the expectation is for a continuing decline in rural economic activity relative to urban areas. The need, therefore, is for a comprehensive policy designed to create equal opportunities for those living in rural America.

Elements of a Comprehensive Rural Development Policy

The workshop did not attempt to develop a consensus of a comprehensive rural development policy. That is, no consensus process existed for the development and endorsement of a comprehensive policy. However, the following elements are believed to be consistent with the results of the workshops and are considered necessary to solve rural problems.

The goals of a comprehensive rural development policy involve the stimulation of private-sector investment in rural America, an investment that will provide long-run solutions to rural problems. Attracting investment implies that rural residents, and therefore rural business, has access to the same quality of public service as urban residents. It implies making rural America an attractive place to live and work.

Such a goal requires a balanced approach to rural policies and programs. Compared with the current policies, it implies relatively more emphasis on building the capacity of human resources residing in rural areas, and it implies more targeting of current national programs toward rural areas and a stronger private-public partnership in solving rural problems.

Solving the problems of rural communities requires a broad, comprehensive strategy. The problems of rural America are sufficiently complex that the current combination of sectorial programs and national programs has not been effective.

Building Human Resource Capacity

Building the capacity of rural residents involves improving the capability of rural Americans to help themselves. The key involves instilling a set of basic skills that provides flexibility for the rural labor force, fosters good ideas, and encourages the development of rural leaders.

Building rural human resource capacity requires the following initiatives:

- **Equity in Rural Education.** The most essential element in providing long-run solutions to rural problems involves the establishment of equity in rural education. Rural schools need to be specifically targeted to provide the same quality of education as their urban, or more appropriately, suburban counterparts. This requires federal and state initiatives to assure equity in funding, a factor essential to attracting quality teachers. To compete, rural students must have the same access to enrichment programs as urban schools. The best available technique for achieving this objective would appear to involve the development of distance learning systems for areas requiring such systems. In addition, research is needed to identify other effective means for dealing with the problems of rural schools.

- **Reducing Rural Illiteracy.** A prime justification for increased federal support for rural education involves the overwhelming need to reduce rural illiteracy. A competitive rural economy requires a population having basic reading, writing and mathematical skills. Schools offer many of the facilities and some of the teaching resources needed to significantly reduce illiteracy yet rural schools cannot accept the responsibility for reducing illiteracy without just compensation.

- **Targeting Job Training.** The long-run need for job training would be reduced by improved rural education and reduction in illiteracy rates. Yet, the need for rural job training programs is increased by a rapidly changing economy. Job training programs should be more specifically targeted to meet the needs of rural residents and rural businesses. Where appropriate, this may include provision retraining in anticipation of losing a job and public-private participation in paying moving costs for retrained workers.

- **Leadership.** Expanding the capacity of local decisionmakers to plan, obtain and utilize information is at the heart of the challenge facing rural communities and businesses. Since many rural leaders are volunteers or operate with very low levels of support, publicly supported education and technical assistance are essential to helping them perform their tasks and cope with community needs. Provision for continuing education and planning assistance is essential for rural leaders. Such assistance involves working with rural institutions and organizations in addition to individuals.

Physical Infrastructure Development

Developing rural physical infrastructure is an essential dimension of rural development policy. In fact, some would assert that infrastructure *is* rural development policy. The following strategies for improving rural infrastructure development surfaced from the workshops:

- **Matching Commitment.** Establish a state and local commitment to rural development as a requirement for federal infrastructure assistance. Such a shared responsibility requirement is crucial for ensuring program success and efficiently allocating limited federal dollars.

- **Private Incentives.** Federal incentives for private initiatives to invest in rural America can be effectively utilized to foster rural development. Such incentives may include partnerships in infrastructure development projects tied with private business commitments or the targeting of a share of federal purchasing power toward rural business as an aid to market development.

- **Communication Systems.** Distance makes rural communication more difficult and expensive. Yet, communication is the lifeblood of today's business world--particularly in the rapidly expanding service sector of the economy. Businesses find it increasingly difficult to operate without access to computer systems and facsimile technology. As in the case of rural electricity, providing access to modern telecommunication technologies on a timely basis is more expensive than can be borne entirely by private industry. Federal assistance to develop rural community access to modern telecommunication technology in the form of low-interest loans appears to be a requirement for rural business development.

- **Rural Medical Systems.** Rural medical delivery systems need to be restructured if rural residents are to have equal access to medical services. This requires comparable rural-urban medical payments as well as targeted programs to develop properly staffed rural medical clinics as a replacement for rural hospitals that have gone out of business.

- **Federal Guidelines.** Federal guidelines are needed for achieving a balance between environmental protection and rural growth policies. Tradeoffs need to be balanced, for example, between the application of agricultural chemicals and the potential for jeopardizing the water supply. In addition, endangered species regulations could severely curb rural development opportunities by limiting the use of protected lands. In the rural West, the conflict between federal lands development and environmental protection is creating considerable uncertainty regarding the growth of rural communities, thus discouraging investment.

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Rural Business Development

The workshops identified expanded private sector job opportunities as one of the primary needs of rural communities. While attracting industry to locate plants in rural areas was discussed, equal emphasis was placed on creating and expanding opportunities for local businesses. A key to local business expansion involves creating the human resource base for the development and implementation of ideas having potential for local job and profit creation. Policy initiatives considered essential for achieving this goal include:

- **Management Education.** Small business educational programs designed to enhance entrepreneurial skills and management capacity need to be expanded. While several important initiatives, such as SCORE, exist to improve management capabilities, the emphasis tends to be placed on techniques employed in larger businesses characteristic of metropolitan areas. Such businesses have considerably more specialized management functions and have access to specialized services that simply are not available in rural areas. The need, therefore, is for small business management educational programs specifically tuned to rural areas. With appropriate financial support, such training may be offered by business schools, community colleges or the Extension Service.

- **Management Services.** The lack of basic business services in rural areas can be remedied by the establishment of private-public partnerships to provide such services. These centers could offer a variety of business services including the development of long-run business plans, market feasibility studies, market plans, and cash flow assessments. A variety of private-public structures are possible for providing such services including assistance in establishing new rural management service businesses, contracts with existing rural businesses, and/or joint private-public ventures with existing educational institutions or government agencies such as SBA or the Extension Service. Where educational institutions are involved, linkages can be established between such management services and small business management training.

- **Capital Availability.** Access to both debt and venture capital is a problem for any new business, but particularly for a relatively isolated rural business. An improved educational base and set of rural management services will give both lenders and venture capital suppliers more reliable information on potential rural investment opportunities. In addition, revolving rural capital pools could be established under a private-public partnership arrangement whereby the pool would share in the gains or losses from new rural business ventures. The federal role might involve guarantees of a certain minimum level of return for private investors or protection against losses. Management training and an appropriate needs test could be developed as a requirement for accessing the capital pool.

Framework for Action

In a time of federal budget deficits and Gramm-Rudman spending limits, it is recognized that limited funds are available for expanded rural development programs. Several of the initiatives suggested above could be implemented by adopting and targeting existing programs to meet specific rural needs.

For the remaining initiatives, the issue is one of priorities. There is need to recognize that the establishment of a lower priority on rural development today will make the problems more difficult to deal with in the future. Past neglect has made today's rural problems more difficult to remedy. Continued neglect of rural problems will cost more to deal with in the future.

Priorities for Additional Funding

The workshop participants' top priority for additional funding designed to solve rural problems involves the human resource component. From a short-run perspective, this means relatively small targeted private-public investments designed to foster rural business development. Emphasis should be placed on developing an educational base for small business managers, developing rural business service centers, and providing a capital pool for the establishment and expansion of well-conceived rural business ventures.

From a long-run perspective, rural problems can best be solved through improved education and the elimination of illiteracy. There is no substitute for a skilled, mobile labor force. Need exists for a partnership between the Department of Labor and the Department of Education to foster the development of an improved rural education system, including both youth and adult illiterates.

The establishment of a lower priority on rural development today will make the problems more difficult to deal with in the future.

As a third order of priority, public investments are needed to make rural areas an equal partner in communication technologies and medical delivery systems. Both areas should be pursued based upon private-public and local-state-federal partnerships.

Program Coordination and Control

The diversity of rural problems revealed by the workshops served to emphasize the need for flexibility in the administration of federal rural development programs. Such flexibility can best be provided by an emphasis on state and local control of project priorities and implementation methods. In other words, the preferred rural development system involves coordination from the bottom -- from the state and local as opposed to the federal level. Of course, accountability must be built into this coordination process.

In addition, effective rural development policy cannot be implemented on a single-agency basis in the current configuration of government agencies. Consequently, there must be coordination across government agencies at all levels, just like there must be coordination across congressional committees.

In providing this coordination, it is essential that the federal government exercise leadership in designing and implementing programs to solve rural problems. Such leadership must be sufficiently flexible to address problems where they exist and in the form that they exist. The need for flexibility and coordination across agencies is perhaps the greatest problem facing federal rural development policymakers.

National and Regional Rural Issues

FOCUS ON THE FUTURE

Economic Dimensions of Rural America

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The rural economic policy agenda changes over time in response to changing economic, social and demographic conditions. Thirty years ago agriculture dominated the social and economic well-being of most of the rural population. In 1950, 23 million Americans, 15 percent of the nation's population, lived on farms. In rural areas, 4 of every 10 persons lived on a farm and almost a third of the nation's nonmetropolitan work force was engaged directly in agriculture. Hence technological and organizational changes in agriculture, and public policy relating to agriculture, were dominant forces shaping rural life both on the farm and in rural communities.

Rural America in the 1950s was characterized by economic disadvantage and widespread poverty. Rural poverty was often concealed by a facade of pastoral beauty. As a consequence, the major engagements in the War on Poverty were fought in the cities. Rural poverty was relatively neglected. This neglect was formally addressed in 1967 by President Johnson with the creation of a National Advisory Commission on Rural Poverty. The Commission's final report, *The People Left Behind*, concluded that "rural poverty is so acute as to be a national disgrace."

With this background in mind, this paper identifies what is different in rural America in the 1980s compared with the 1970s and suggests implications of these new trends for rural economic policy. Measures of the socioeconomic conditions of rural areas are important in assessing the need for continued public programs to assist rural areas, while information on rural-urban differences helps justify separate (or separately administered) rural and urban policies. The diversity of conditions among rural areas provides a rationale for multi-dimensional policies that target assistance to areas of greatest need and/or opportunity.

If rural revitalization was the theme of the 1970s, economic stress is the overriding nonmetro issue of the 1980s.

New Forces Shaping U.S. Rural Policy

Present day rural America bears little resemblance to the 1950s. Significant changes have occurred in population size, growth, and composition; the industrial and occupational structure of the rural economy; the general level of living and socioeconomic well-being; and, perhaps most important of all, the linkages binding nonmetro and metro economies and communities.

Socioeconomic conditions in rural America have generally improved compared with three decades ago; and rural-urban differences, while still present and important, have diminished greatly. Rural America, once an adjunct to the mainstream of American life, is now closely integrated with national events. *However, given this general appraisal, rural economic conditions have worsened significantly since 1980.*

If rural revitalization was the theme of the 1970s, economic stress is the overriding nonmetro issue of the 1980s. This stress is associated with both cyclical trends and with basic changes in the structure of the nonmetro economy. These cyclical and structural changes affect, and are affected by, the human resource base of rural economies. Moreover, all of these trends and changes are taking place within the context of changes in the federal system of government, and these organizational changes affect government's response to the changed social and economic context.

Cyclical Trends

Prior to the 1970s, the rural unemployment rate was lower than the urban rate -- remaining below the urban rate throughout recession and recovery. The most recent recession represents a significant break with that pattern. The rural unemployment rate rose more rapidly than the urban rate, peaked at a higher level, and has remained above the urban rate throughout the 1980s. Employment in timber industries fell as new housing starts declined. Many rural manufacturing plants were linked to the struggling auto and steel industries. And mining and other energy extractive industries once again suffered from enhanced import competition during this period. In addition, rural areas were more heavily affected by involuntarily shortened work weeks, and a higher percentage of rural workers became discouraged from looking for work than was true of urban workers.

Rural areas have recovered from the recession more slowly than urban areas. In fact, the rural unemployment rate actually increased between 1984 and 1985 while the metro rate declined. As of 1985, the official rural employment rate is 3.0 percentage points above the urban rate. Most of this difference is explained by the poor performance of the rural manufacturing sector which lost 450,000 jobs in the recession and regained only about 20,000 jobs between 1982 and 1983 during the beginning of the recovery. Improved performance of this sector seems to be the key to future development for many individual areas. However, the issue may be more complex -- requiring either a transition to a post-industrial, service-producing economy, or success in capturing a different mix of manufacturing activities than fueled the rural growth of that sector in the 1960s and 1970s.

Prior to the 1970s, the rural unemployment rate was lower than the urban rate -- remaining below the urban rate throughout recession and recovery. The most recent recession represents a significant break with that pattern. The rural unemployment rate rose more rapidly than the urban rate, peaked at a higher level, and has remained above the urban rate throughout the 1980s.

Structural Changes in the Rural Economy

Industrial Transformation of the Rural Economy. The industrial transformation of U.S. and rural employment has included a shift from predominantly agricultural to predominantly nonagricultural employment. This transformation was followed by a change in the mix of nonagricultural jobs from goods production to much greater emphasis on services. In 1880, nonagricultural workers first outnumbered agricultural workers. In the 1960s, manufacturing's share of nonagricultural employment first dropped below a third and the share accounted for by services (including government) began to rise.

The transformation continues today. During the 1960s and 1970s, nonmetro areas competed successfully with urban areas in attracting or creating new job opportunities in manufacturing. In fact, the share of all U.S. wage and salary manufacturing employment in rural areas rose from 19 percent in 1969 to 22 percent in 1984. Roughly 40 percent of rural citizens live in counties primarily dependent on manufacturing for employment. This dependency represents a significant structural transformation of rural America. In the rural South particularly, the growth of manufacturing jobs helped many rural households rise from poverty. At the same time, the growing rural manufacturing base has had a disproportionate representation of low-wage, labor-intensive industry. Again, the South is a case in point because apparel, textile, wood products, leather goods, shoes, and a few other low-wage industries accounted for 40 percent of total nonmetro manufacturing employment in 1983, compared with only 19 percent for the United States as a whole.

The U.S. goods-producing sector has experienced significant job losses as part of the current structural realignment. In many areas, U.S. wage gains appear to have substantially outstripped productivity gains, leaving the country vulnerable to foreign competition. Rural areas, because of the types of products manufactured there, appear to be bearing a disproportionate share of the shorter term structural adjustments in manufacturing. And competitive problems were aggravated by the high value of the dollar. Although the dollar has declined against the Japanese Yen and some European currencies, it remains high against the currencies of several nations that recently became direct competitors with rural manufacturers. Moreover, the introduction of productivity-enhancing technology has exacerbated the situation by further limiting employment growth in goods-producing industries.

Rural specialization in production activities has limited employment opportunities for rural workers in the first half of the 1980s. Urban employment grew more than three times as fast (10 percent) as rural employment (3 percent) during 1970-85. Slow employment growth has meant that rural areas had more difficulty absorbing new entrants to the work force, and many manufacturing and mining workers who lost their jobs were not able to find alternative employment. Within goods-producing industrial sectors, nonmetro workers are more likely to have blue collar jobs and less likely to have white collar jobs than urban workers. It is precisely these blue collar jobs that are being lost in the American economy. Between 1979 and 1985, white-collar manufacturing employment rose 10 percent and blue-collar manufacturing declined 15 percent, resulting in an overall job loss in manufacturing of 6 percent.

In addition to the adjustment problems already discussed, the rural economy is sharing fundamental industrial restructuring with the rest of America. Service industries now employ many more rural workers than goods-producing industries, and most of the job growth in rural areas since the late 1960s has been in the service sector. The trend appears to have accelerated since 1969. Of all new nonfarm wage and salary jobs created in rural areas, 83 percent have been in the service sector. The Bureau of Labor Statistics has projected that 90 percent of the 16 million new jobs expected in the United States between 1984 and 1995 will be in the service producing sector. Business, personal, and medical services are expected to account for over half of the new jobs. The business services sector is expected to add the largest number of new jobs because of the increasing trend among firms toward contracting out some services and because of the growth in demand for computer software and other modern business services. Many of the newly created service jobs are at wage levels equal to or above those being lost in the goods-producing sector. This leads to a net improvement in the income prospects for many workers.

Of all new nonfarm wage and salary jobs created in rural areas, 83 percent have been in the service sector.

For rural areas, industrial restructuring poses some serious challenges.

- Rural manufacturing employment is heavily concentrated in low-wage industries and, within these industries, in blue-collar occupations. Thus, rapid job losses in low-wage manufacturing are likely to have a disproportionately negative effect on nonmetro areas.
- Rural areas do not appear to be attracting a large share of the "high tech winners" among new service jobs.
- Particular industrial activities are concentrated by region. For example, rural manufacturing is heavily concentrated in the South and East.

Farm Financial Stress Extends Beyond the Farm Gate

In the mid-1980s no discussion of rural economic issues would be credible that did not recognize the serious financial stress that has been experienced by a significant component of U.S. agriculture. Many farms continue to be in serious financial difficulty, a condition which has been further aggravated by the recent drought. Despite extensive government assistance, many of these farmers are unlikely to be able to restructure their businesses successfully, and they will be forced from farming. Given the geographical concentration of these farms, many rural communities in the Northern Great Plains and Western Corn Belt regions are already experiencing farm-related development problems.

Research on farm-dependent counties, which identifies about 700 rural counties that depend on farming for at least 20 percent of total labor and proprietors' income, indicates how difficult the adjustment problems may be for many rural communities (Figure 1). Farm-dependent areas tend to be relatively small in population, sparsely settled, remote from urban opportunities, and with little other local economic activity. Because many of these counties are clustered together, farmers forced to leave farming may have to move (or commute) considerable distances to find alternative employment.

Of course, the current adjustment follows nearly 30 years of continuous farm consolidation and population loss for many of the affected areas. Farmers who leave farming for economic reasons in the 80's have different characteristics than those who left in the past. They tend to be young, relatively well educated, and they operate commercial-scale farms. Past displacements were concentrated among tenant farmers (many of whom were black, poorly educated, and who generally had little or no managerial responsibilities for their farms) and smaller scale commercial operators.

The rural poor are more likely to be elderly, white, and to live in the South than is true of the urban poor.

Farm financial stress has far-reaching effects throughout farm-dependent communities. Lower farm prices and reduced land values have resulted in reduced local government revenues. As a consequence, some farming areas face reductions in essential public services. Farm financial stress is associated with the surge in rural and agricultural bank failures. Bank failures can hurt local credit availability throughout the community.

Human Resources Issues

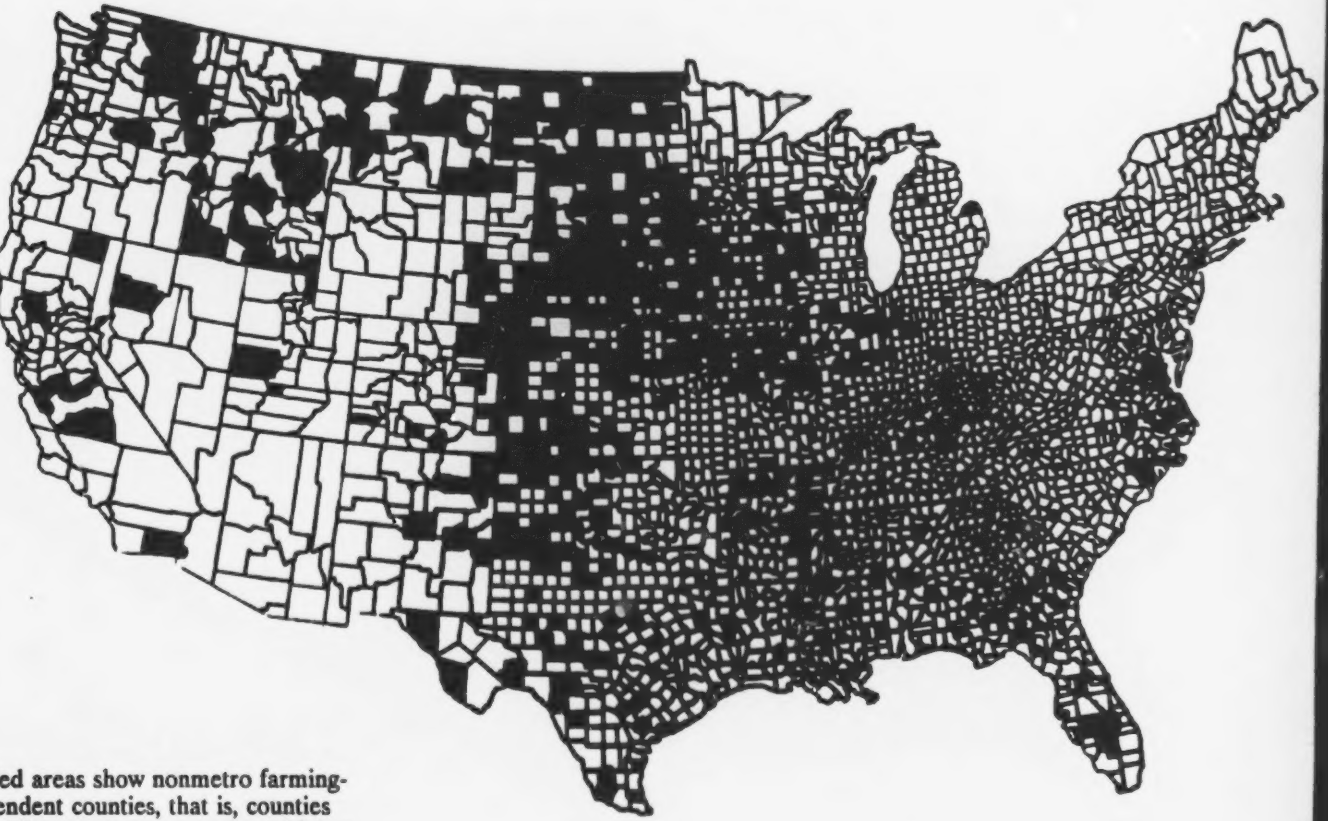
Changing Dimensions of Rural Poverty

A disproportionate share of the nation's poor has resided in rural areas throughout this century. In 1985, the rural poverty rate was 18.3 percent compared with a 12.7 percent urban rate (Figure 2). Even when in-kind transfers are included with other income, 13.2 percent of rural people failed to have enough income to meet minimal basic needs -- the official definition of poverty. In urban areas the comparable figure was 9.3 percent. While poverty rates declined during the mid-1970s, both metro and nonmetro rates have risen since the 1979-82 recession and were substantially higher in 1985 than a decade before.

Not only is poverty more prevalent in nonmetro areas, but the characteristics of the rural poor also differ from those of poor persons in urban areas. The rural poor are more likely to be elderly, white, and to live in the South than is true of the urban poor. Labor force attachment is much higher in poor families. Over two-thirds of the rural poor families had at least one worker in 1985, and over one-fourth had at least two workers. In urban areas only 58 percent of poor families had even one worker.

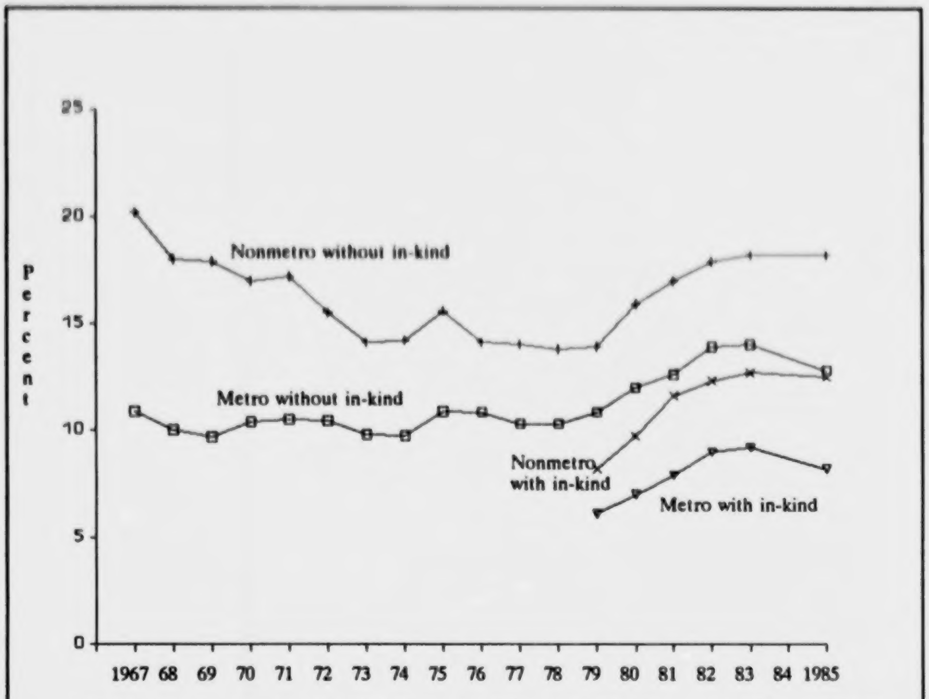
The composition of poverty has changed during the last decade. Since 1973, the poverty rate among older persons has declined from 16 to 14 percent, while the rate for youths increased from 14 to 22 percent. In rural areas, poverty among older persons fell from 23 percent to 18 percent, and the rate for youths rose from 17 to 24 percent.

The diminished economic position of children is related to changes in household and family structure, and especially the increase in families maintained by women with no spouse present. The greatest share of the nation's poor (45 percent) live in married couple families, but over a third live in female-headed single-parent units. The poverty rate among these households is substantially higher than for other family types. This is true in both urban and nonmetro areas, but more pronounced in rural areas where the poverty rate is 43 percent for female-maintained families compared with 13 percent for other family



Shaded areas show nonmetro farming-dependent counties, that is, counties with 20 percent or more of total labor and proprietor income from production farming or ranching in 1975-79.

Figure 1. Agriculture-Dependent Counties (Nonmetro U.S.)



Metro-nonmetro based on the 1980 Census for 1985, on the 1970 Census for 1969 and 1971-83 and on the 1960 Census for earlier years. No 1984 data. Source: U.S. Census Bureau.

Figure 2. Poverty Rates, 1967-85 (with and without in-kind benefits)

households. Furthermore, 58 percent of rural children living in female-headed families are poor compared with 18 percent of children living in other family types. The child poverty rate has increased for all residence and family types since 1973.

Reduced Nonmetro Population Growth and Migration

The relative rates of urban and rural population growth and net migration reversed from their traditional pattern of increasing urbanization to favor rural areas during the 1970s. The "population growth turnaround" was one of the most surprising and significant demographic events of the decade. The pervasiveness of the turnaround can be judged by the fact that the rate of rural population growth increased in all four census regions, and the rural rate exceeded that of urban areas in all regions but the South. Moreover, rural growth increased in areas separated from direct metropolitan contact as well as in counties adjacent to metro areas. And smaller areas grew more rapidly than larger areas, indicating decentralization among rural areas themselves. An increasingly diversified and revitalized nonmetro economy, community modernization, and deeply held preferences for rural living all figured in the migration reversal.

Nonmetropolitan growth began to slow by the end of the 1970s. Post-1980 county population estimates indicate that nonmetro areas are now growing at a lower rate than metro areas. Almost half of all rural counties (1,160) lost population during 1983-85, compared with 460 that lost population in the 1970s. During the 1960s, 1,300 lost population.

The return of slower rural growth poses important questions about future rural economic progress and community viability. A coherent empirical explanation of the diminished growth, one that investigates the effects of both economic and noneconomic factors, has yet to be developed. Reduced growth is surely associated with the economic problems discussed above -- delayed recovery from the 1979-82 recession, financial stress in agriculture and its linked industries, the slow growth or decline of rural manufacturing and natural resource-based industries, and possibly a diminished appeal of rural areas as residential locations. A better understanding of the relative importance of these and other factors would contribute to more informed public policy.

An Older Population

The median age of the U.S. population was 32 years in 1987, a decade older than in 1880. This increase was brought about by a diminished proportion of children and an increasing proportion of elderly persons. Youths and infants accounted for 44 percent of the nation's population in 1880, and elderly persons only accounted for about 3 percent. By 1987, the infant and youth population had declined to less than 30 percent, and over 1 in 10 Americans is age 65 and older.

Rural areas have traditionally had a higher proportion of children, relatively fewer younger adults and middle-aged persons, and a larger proportion of the elderly. These residential differences have been accounted for by a higher level of fertility in rural areas, outmigration of young adults, and both inmigration of older persons and aging-in-place. These residential differences still persist, although both urban and rural areas have been similarly affected by major demographic events of the last quarter century. The decline in the population proportion under 15 years of age is pronounced in both urban and rural areas and is associated with the current prolonged period of low fertility.

Nonetheless, the rural population in 1980 still had a larger proportion of infants and children than the metro population. In contrast, because of aging-in-place and net inmigration of elderly persons from urban counties, the rural population grew somewhat more rapidly in urban areas because the baby boom was more dramatic there and because urban areas are still gaining young labor force age migrants from the rural population.

Projections prepared by the Census Bureau indicate that the nation's population will age substantially, and there is every reason to expect this to take place in both urban and rural areas. In 2030, the proportion under age 65 will have virtually stopped growing while the number of persons 65 and older will increase sharply beginning in 2010. The aging of the baby boom generation will push the median age to about 41 years in 2030 (compared with 32 in 1987). In that year, 21 percent of the population will be age 65 and above and 3 percent will be 85 or older. These changes will have broad implications for the need of and demand for goods, services, and economic opportunities, and they will affect patterns of consumption, lifestyle, and social and political behavior.

In 2030, the proportion under age 65 will have virtually stopped growing while the number of persons 65 and older will increase sharply beginning in 2010.

Educational Attainment

A high-quality work force is a critical asset. New entries to the work force must be properly prepared, current workers must maintain their skills and employability, and displaced workers must be provided with skills to facilitate their transition to new jobs. Educational attainment, as measured by years of school completed, has increased substantially in both urban and rural areas during recent years. The urban median increased from 11.1 to 12.6 years of schooling between 1960 and 1980, and the rural median increased from 9.3 to 12.3 years of schooling.

However, the seeming convergence in these medians masks differences in attainment between the residence categories. Continuing and even growing residential differences in formal educational attainment are apparent when one focuses on completion of high school and college rather than on median years completed. The proportion of the population age

25 and over that completed high school has risen substantially since 1960 in both urban and rural areas, but a 10 percentage point gap in this level of educational attainment persists. The percentage of the population age 25 and over that completed college also increased in both urban and rural areas since 1960, but the rural-urban gap in college completion has actually increased. The proportion of the adult rural population that has completed college in 1980 is 1 in 10 persons -- about the same as the urban percentage a decade before. The persistence of the difference is partly attributable to nonmetro net outmigration of young adults with college degrees.

New Federalism

During the 1960s and 1970s, state and federal involvement in the affairs of local government grew. One measure of that growing involvement was the declining share of locally raised revenues as a share of total local spending. By 1977, intergovernmental transfers represented 43 percent of revenues of rural localities compared with 34 percent in 1962. Many communities, while welcoming the inflow of federal funds, chafed at the regulations that often accompanied grant-in-aid money and decried the distortion of local priorities that resulted. The concerns of local government began to be recognized with the adoption of federal revenue sharing and other block grant programs that significantly lessened federal control of the use of funds. Simultaneously, there was a federal move toward deregulation which aimed at letting the marketplace decide on resource allocation, prices, and services in transportation, finance, and communication.

New federalism policies began an era of reduction or withdrawal of federal funding for many grant-in-aid programs, block grant programs, and even general revenue sharing. In part, this is a philosophical retrenchment by the federal government in the scope of its activities, but it is also a result of a perceived need to reduce federal deficits while maintaining both a strong defense and most of the major individual entitlement programs that provide security for our citizens. This is a challenging environment for state and local governments which, in the face of taxpayer resistance, may not be able to replace federal funds with locally raised revenue. It is uncertain what effect this situation will have on local services, on the distribution of current costs and benefits among users and the broader community, or intergenerational transfers of wealth and income.

Many jobs in low-wage rural manufacturing are vulnerable to structural change and foreign competition. Compared with the federal government, states and localities are severely limited in the policy responses they can make to deal with industrial restructuring and trade.

The range of federal actions affecting rural areas and the policy latitude of state and local governments have changed substantially. No longer is it appropriate to focus principally on levels and constraints of intergovernmental assistance such as grants-in-aid or revenue sharing. The increased integration of the rural and urban economies and the importance of international trade have increased the stake of rural areas in macroeconomic and trade policies. For example, the 1979 change in Federal Reserve policy coupled with the financial deregulation of the early 1980s produced strong inflation and increased the trade value of the dollar as well as real interest rates. All of these changes contributed to the financial stress in agriculture.

The stake of rural areas in stable and balanced macro-level policies may be even more important outside of agriculture than from within the farm economy. Many more of our rural citizens depend for their livelihood on employment in manufacturing and services than on employment in agriculture. In fact, considerable progress in relieving poverty among rural people, especially in the South, has been the result of rural industrialization that provided better incomes than those in agriculture and created opportunities for paid employment for large numbers of rural women. It now appears that many jobs in low-wage rural manufacturing are vulnerable to structural change and foreign competition.

Compared with the federal government, states and localities are severely limited in the policy responses they can make to deal with industrial restructuring and trade. And what they often do is neither cost beneficial to them nor in the best interests of the national economy.

General Directions for Rural Economic Policy

Rural America is extremely diverse, and broad generalizations mask many important differences among individual areas. In many ways the variation among rural areas is often as great as the differences between them and urban areas. Because local rural economies do have wide differences, programs tailored to particular types of rural economies may be more effective than more generalized programs.

The diversity of rural conditions and economic structures, and the restructuring of rural economies that is now occurring requires that rural economic policy in the 1980s distinguish between industrial and spatial concerns. Traditional "industrial policies" for rural America have focused on agriculture. Such an industry-specific focus is clearly out of line with rural economic realities of the 1980s. Even farm financial problems are now difficult to address with traditional farm policy instruments alone. The health of the farm sector depends importantly on the nation's monetary and fiscal policy. And since agriculture is only a component (albeit an important one in many instances) of the local rural economy and labor market, an exclusive policy focus on agriculture provides little direct assistance to most rural workers and communities.

Even as policymakers recognize the rural stake in national policy, the concentration of adjustment problems in particular geographic areas suggests the need for federal, state, local, and regional development strategies. It is important to remember that many rural problems are regionwide and not just community-specific. Agriculture, as a major source of household income, is concentrated in the Northern Great Plains and Western Corn Belt; rural manufacturing is disproportionately located in the Midwest and Southeast. Mining and other extractive activities are conducted west of the Mississippi River and in Appalachia. All of these industries have experienced either very slow growth or significant job losses in the 1980s. "Beggar thy neighbor" programs of smokestack (or silicon chip) chasing will not lead to net job growth in a region or an effective replacement of lost jobs. Regional or multi-community cooperative efforts would appear to have a better chance of success in responding to industry-wide declines. Cooperation among different levels of government and with private industry is also essential. The overall goal might be for regions to diversify their economic activities and to increase their participation in the more service-oriented sectors of the economy, thereby decreasing their vulnerability to shifts in demand.

The overall goal might be for regions to diversify their economic activities and to increase their participation in the more service-oriented sectors of the economy, thereby decreasing their vulnerability to shifts in demand.

Some local economies may be unable to adapt to the transformation from goods production, mining, or agriculture to greater dependence on services. These may decline permanently. Their functions in the rural economy of the future may become largely residential. Access to urban or other rural employment centers may be their only key to economic prosperity.

Two major dimensions of rural economic policy -- human resource development and job generation (for new and displaced workers) -- must be closely coordinated. Evidence suggests that the skills possessed by many displaced industrial workers, miners, and farmers are likely to be inappropriate for the new, largely service-based and information-dependent industries that will dominate the rural economy of the future. A mismatch between skills and opportunities will affect a large portion of the rural labor force. Development strategies need to consider the skills workers possess or are gaining and the job requirements of existing and developing industries. It makes little sense to train people for jobs that do not exist in the local or regional economy, unless the goal is to enhance employability elsewhere and encourage commuting or residential mobility. On the other hand, creating new jobs in an area where indigenous workers do not possess the required skills to fill them does not directly benefit local workers unless training programs are envisioned. Without such efforts, the likely result is for the new jobs to be filled by workers from outside the local community. This is not necessarily bad since the purchasing power in trade and services of new workers may indirectly create employment opportunities for longer-term residents. But the first round of mostly higher paying jobs will probably go to the newcomers.

Human resource development activities must be sensitive to the different needs of a new generation entering the work force for the first time, the needs of current workers who desire to maintain employability and a modest standard of living, and the needs of dislocated workers making a transition to new jobs.

The diversity of rural economic conditions indicates diverse paths to economic viability. Some areas will consolidate their economic development efforts around current activities; others will seek to transform and diversify their economies from goods-producing to a broader representation of services; others will specialize in residential and consumer service activities. Some areas will be successful in maintaining or expanding their levels of economic activity. Others will experience decline. Recognizing that rural areas are increasingly interrelated with each other and with the nation as a whole, go-it-alone, community-specific economic development efforts appear to be increasingly inappropriate in tomorrow's rural America.

To be relevant to current concerns, public policy must recognize that rural America has different problems and opportunities in the 1980s than in previous decades. This changing economic context is not the only factor affecting the policy agenda, but it must be considered a major one.

Building a Vital Rural America

Bruce Weber, Oregon State University
Ron Shaffer, University of Wisconsin
Ron Knutson, Texas A&M University
Bob Lovan, Extension Service/USDA

Rural America is home to one-fourth of the nation's people and contains almost 90 percent of the country's natural resources. While some rural areas are doing well, the average rural American has a lower income, a greater likelihood of being unemployed, and a greater chance of living in poverty or substandard housing than those in urban areas. They receive below-average health care and less schooling than urban residents, and they appear to be more vulnerable to national and international market fluctuations. As a result, rural Americans have fewer reasons than their urban counterparts to be optimistic about a prosperous future.

Creating and maintaining rural economic vitality is important to all Americans--both rural and urban. Rural and urban America are highly interdependent. Urban Americans depend on rural areas and people for much of their food, timber, mineral and water resources, and manufactured goods. They also visit rural America for leisure activities, and many move there for retirement. At the same time, urban economic and social conditions greatly affect the opportunities of the rural population and net migration into rural communities.

Rural America is home to one-fourth of the nation's people and contains almost 90 percent of the country's natural resources.

Rural development policies can be defined as the deliberate actions taken by federal, state and local governments to influence the economic growth and level of living experienced by those who reside in rural areas. Urban residents are also influenced by rural development policy in that they consume the products and services of rural America, utilize rural resources (land, water, parks, roads, etc.), and pay for at least a portion of the cost of implementing rural policy. Policy for developing rural America could have the following goals:

- Make rural areas a viable economic partner for the benefit of both urban and rural residents.
- Improve the quality of services (public and private) in rural areas.
- Reduce the vulnerability of rural areas to sudden shifts in technology, markets, and the overall economic environment.
- Sustain the usefulness of rural resources for the benefit of current and future generations.

These are extremely difficult objectives to achieve individually, much less simultaneously. Efforts to achieve them involve important trade-offs and choices for policy at the federal, state and local levels. Every American has a direct interest in these policy decisions.

The purpose of this series of discussion papers and related workshops is to highlight the trade-offs inherent in policy choices affecting rural development. This particular paper is designed primarily to explain the issues which cut across all the other papers. As a whole, the papers emphasize the federal role in rural development policy, not state or local government roles. This is not to imply that the state and local roles are unimportant. In fact, many of the most important policy and program decisions are made at the state and local levels, and most rural development policy is implemented by units of state and local government. Federal government actions are critical, however, because they shape the economic and social environment within which rural and urban economies develop. Federal decisions have a crucial impact on the overall efficiency of the economy and on the distribution of resources and well being within and between rural and urban areas.

It is anticipated that in the next two or three years, the federal role in rural development will be re-evaluated with the potential for major new policy initiatives. There are those who will argue for policies and programs designed to target assistance to those living in rural areas and to the businesses and industries located in rural America. Others do not see the problems of rural America as being particularly unique. They may suggest policies and programs to develop human resources *wherever they are located* and to assist people in making transitions between jobs and places, or they may suggest policies to generate a robust macroeconomy. Still others will espouse a comprehensive rural development package designed to take into account the unique characteristics and problems of rural regions and rural residents in order to bring renewed vitality to nonmetropolitan areas. Hopefully, these papers will contribute to clarifying the issues, identifying the policy options or choices, and evaluating the consequences of such choices.

Socio-Economic Characteristics of Rural Areas

Rural America, while becoming increasingly similar to urban areas, has at least three unique economic and social characteristics:

- Rural areas tend to have a more narrow economic base than urban areas and to specialize in natural resource industries. Almost half (44 percent) of the nation's rural counties depend on natural resource industries for 20 percent or more of their labor and proprietor income: 30 percent of these counties depend on farming, food processing, and agricultural services while 14 percent depend on forestry and wood processing, energy extraction, and mining. Natural resource dependent counties are found throughout the United States; only New England has counties in which these industries do not provide a significant share of income (Figures 1-4). These natural resource industries have been more unstable than other industries and in recent years counties specializing in these industries have had higher than average unemployment rates.
- Rural areas are more sparsely populated than urban areas. Nonmetro population density is less than 20 people per square mile compared to 322 in metro counties. While this low density may create large amenity values, it also hinders the achievement of certain economies of size and concentration available in urban settings.
- Rural people have more local governments to interact with than their urban counterparts. Rural areas, with 24 percent of the population, have 75 percent of the local government units in the United States. While this provides more opportunity for citizen participation in government, it also places more demands on rural residents for filling leadership roles that are often volunteer in nature.
- The existence of numerous units of government and of different levels of government (towns, townships, counties) tends to result in a fragmentation of interest groups and government agencies which are responsible for policy formulation and administration. For example, with over 30 federal agencies having responsibility for rural policy, there is little federal policy focus.

These characteristics of rural America, while in some ways constraining the potential for development, are assets rural areas can use as a foundation for their development efforts. Such efforts can attempt to overcome some of the following statistics that reflect the disadvantaged status of rural America:

- In the late 1980s, nonmetro per capita income is about one-fourth lower than in metro areas.
- Nonmetro poverty is one-third higher than in metro areas.
- Nonmetro Americans continue to receive less schooling than urban residents.

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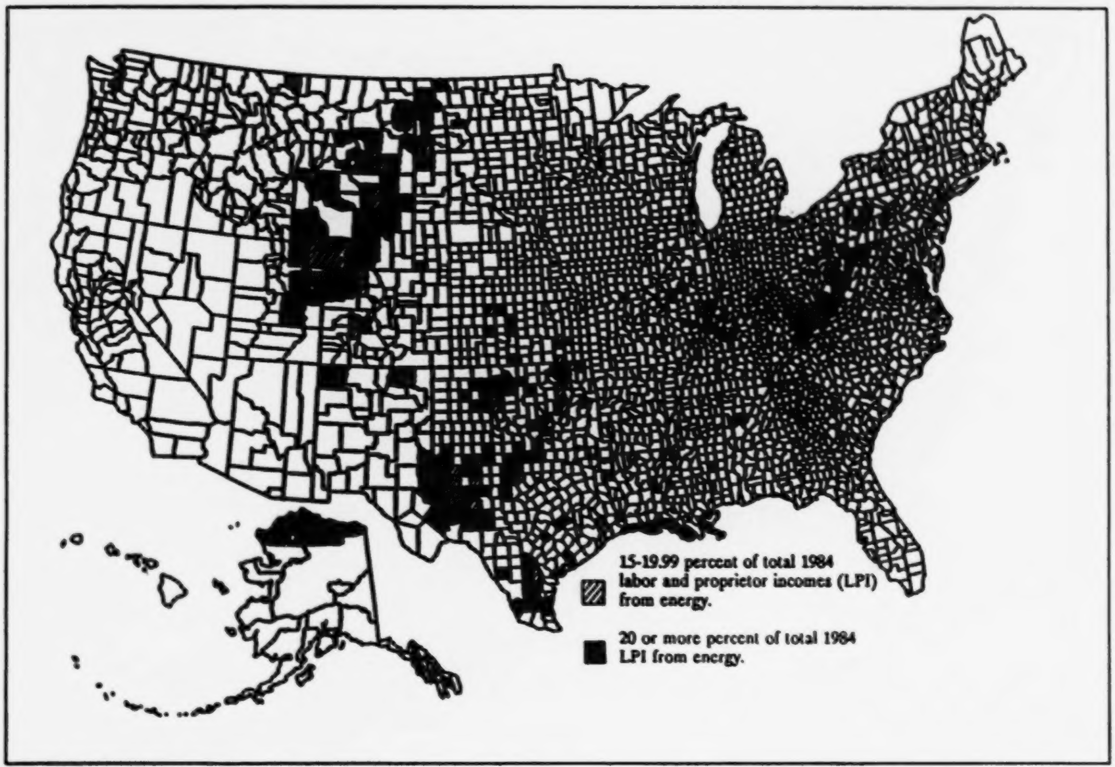
▨ 15-19.99 percent of total 1984 labor and proprietor incomes (LPI) from energy.
■ 20 or more percent of total 1984 LPI from energy.

Figure 1. Energy Counties, 1984.

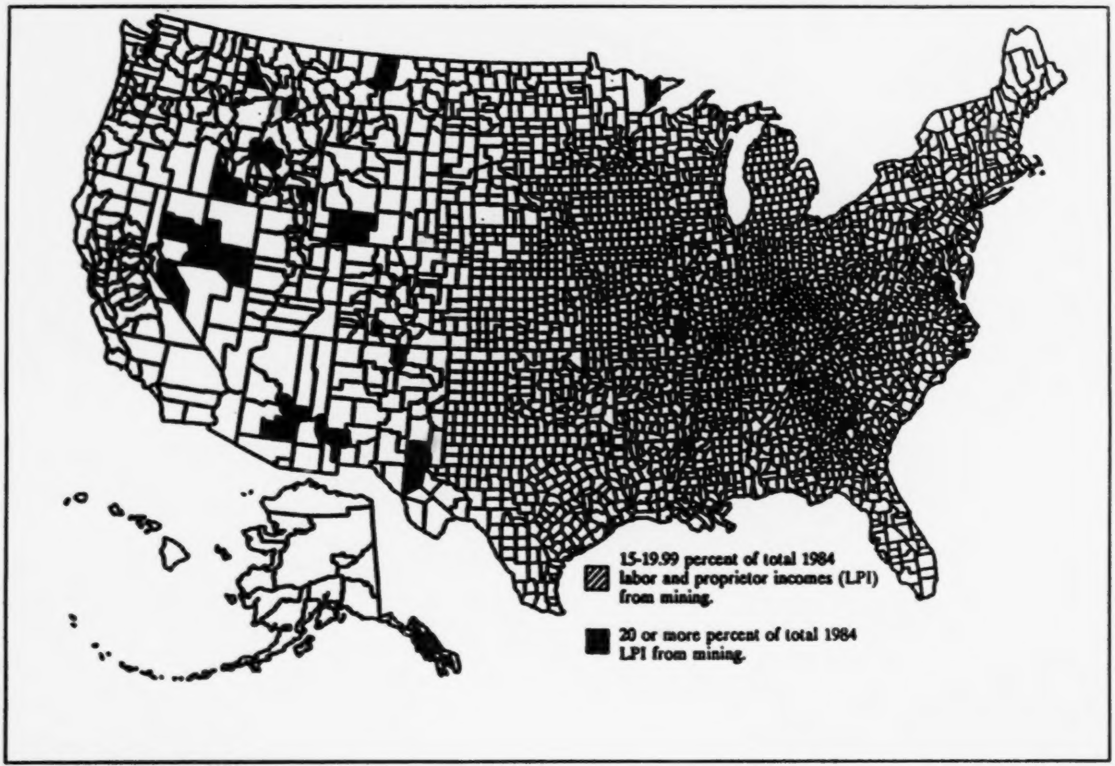
▨ 15-19.99 percent of total 1984 labor and proprietor incomes (LPI) from mining.
■ 20 or more percent of total 1984 LPI from mining.

Figure 2. Mining Counties, 1984.

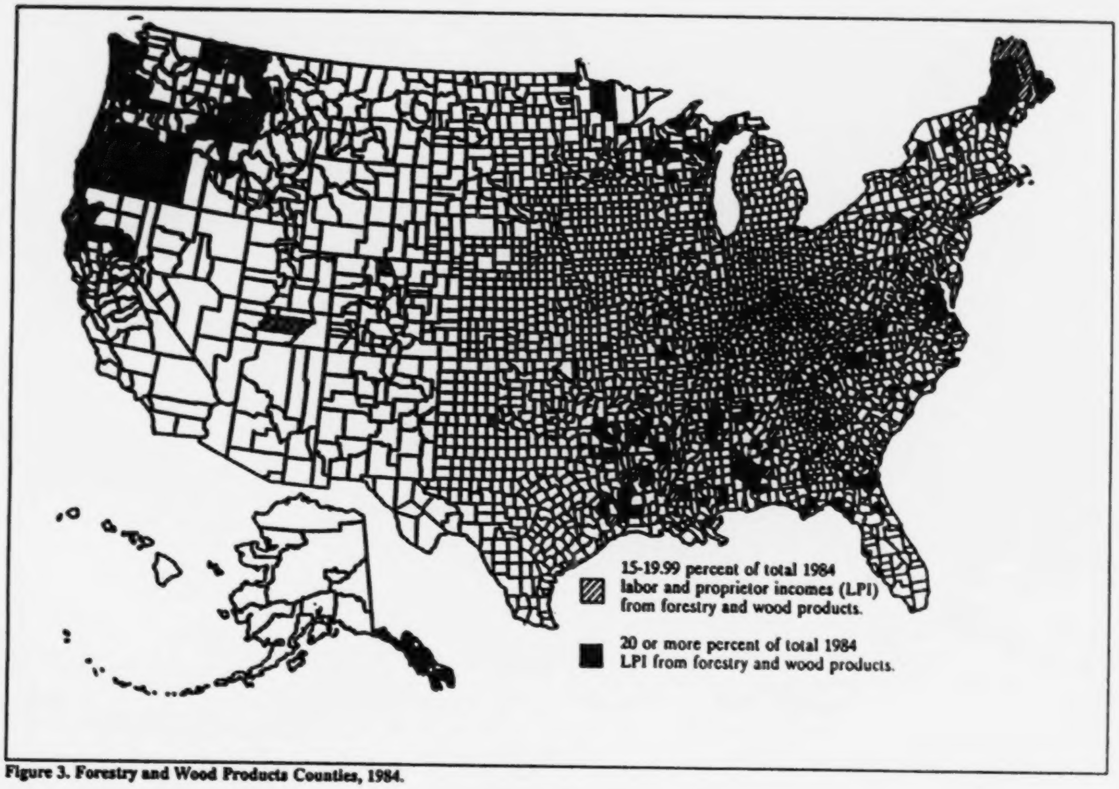
▨ 15-19.99 percent of total 1984 labor and proprietor incomes (LPI) from forestry and wood products.
■ 20 or more percent of total 1984 LPI from forestry and wood products.

Figure 3. Forestry and Wood Products Counties, 1984.

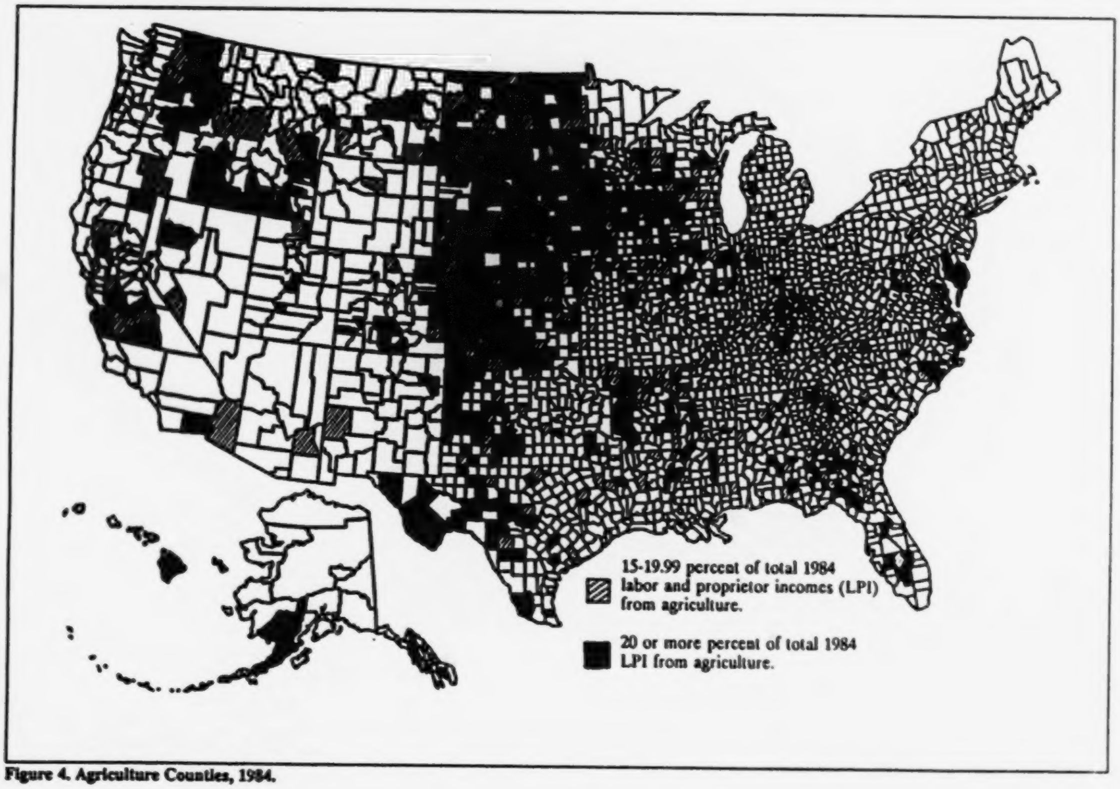
▨ 15-19.99 percent of total 1984 labor and proprietor incomes (LPI) from agriculture.
■ 20 or more percent of total 1984 LPI from agriculture.

Figure 4. Agriculture Counties, 1984.

- Nonmetro Americans continue to receive less schooling than urban residents. While about 70 percent of urban students complete high school, only about 60 percent of rural students do so.
- During the 1980s, the rural-urban per capita income gap has widened.

Brief History of Rural Development Policy

The current rural development policy in the United States can be characterized as a collection of federal, state, or local policies or programs designed to expand economic opportunities in particular sectors, protect rural natural resources for future use, and improve the liveability of sparsely settled areas. In this sense, the nation has had a rural policy since its earliest years when funds were spent to make public improvements in frontier areas. The federal government continues to stimulate development of rural areas, although the number and funding of rural programs is lower than it was a decade ago. From an historical perspective, rural development policy can be divided into four major periods:

- *Settlement and Expansion of Rural Services.* Some of the earliest rural development programs included encouraging the settlement of rural areas (the Homestead Act), the granting of land to railroads, and the creation and dissemination of knowledge about and to rural areas (Hatch Act and Smith-Lever Act). In the nineteenth and early twentieth centuries, federal rural policy focused on encouraging land settlement and providing transportation infrastructure.

- *New Deal Expansion of Federal Role.* With inauguration of New Deal policies, the federal government took a larger role in dealing with rural problems. In the 1930s, the federal government sought to improve rural access to basic services (Rural Electrification Act and Farmers Home Administration) develop water resources (Reclamation Act), improve farm incomes (Agricultural Adjustment Acts), and stimulate the development of rural regions (Tennessee Valley Authority). With these programs, the federal government set in place the outlines of current rural policy.

  The agricultural sector is supported by the federal government through a wide variety of programs, including agricultural research and extension services, subsidized credit, income payments to farmers, and marketing assistance. When the bulk of these programs were initiated, over half of the rural population lived on farms. The impact of these programs on rural areas was significant. Today less than 10 percent of the rural population lives on farms. The potential effectiveness of agricultural programs in stimulating rural area development is much less now than when rural people were more involved in agricultural production. While agricultural policy will remain a crucial element of any national policy affecting rural areas, it is nonagricultural policies that will have the most impact on the future of rural America.

- *Great Society Programs and Rural Areas.* In the 1960s, a host of new Great Society type programs were extended to rural areas and the war on poverty was initiated. Federal support for multistate regional development expanded beyond the Tennessee Valley Authority (TVA) with the creation of the Appalachian Regional Commission (ARC) in 1965 and several other regional commissions in later years. The federal government also created support for substate multicounty regional development through the Economic Development Administration (EDA) in 1965. To receive support through EDA, counties were required to form economic development districts and to do joint planning. Farmers Home Administration (FmHA) rural development programs were designed to encourage nonfarm businesses for farmers, water and sewer systems and public facilities in small communities, multiple family housing and rural business development through loan guarantees. The federal government continues to provide support for TVA, ARC, EDA and FmHA, though at reduced levels.

During the Great Society era, many programs were established or substantially expanded to benefit the poor and disadvantaged regardless of their location. Examples include food stamps, aid to families with dependent children, child nutrition, job training and small business loans. The uniqueness of rural areas made these programs less effective in alleviating rural problems than urban problems.

- *New Federalism*. In the 1980s, a change occurred in the prevailing political philosophy regarding where decisions affecting the rural economies should be made. The new federalism philosophy holds that decisions should be decentralized to the state and local levels and that the private sector has the major responsibility of providing for the economic welfare of the citizens. Theoretically, the rural tradition of individualism and acceptance of responsibility for one's own condition could thrive in this environment. Yet, many issues facing rural America transcend the resources and power of the individual or local community. The capacity of many local rural governments to provide the services desired is limited without financial support from state and federal governments. Issues of rural poverty, education, retraining, health care, etc. cannot be addressed with only local resources.

  Consistent with the new federalism philosophy, the funds for rural development and many related programs were substantially reduced. Responsibilities for many activities affecting rural development were shifted to state and local governments. However, reductions in funding through programs such as revenue sharing and block grants hindered the ability of the public sector to address rural issues.

  One major exception to reductions in funding for rural programs involved increased expenditures on farm programs. Expanded aid to farmers grew to over $20 billion in the 1980s. Since the farm sector has become a relatively small share of total rural economic activity, farm policies cannot be relied upon to solve the economic problems of rural America. For this reason, farm policy is not a focal point of this set of educational materials.

Forces of Change

While farming, fishing, forestry, mining (including energy), or manufacturing activities remain important components of many rural economies, they can no longer carry the entire burden of creating rural economic vitality. Businesses providing services to tourists, retirees and nonlocal businesses and individuals are assuming an increasingly dominant role in producing this vitality.

The following forces of change are having a major impact on rural America:

- Technological change has been a way of life in rural America. The mechanical/chemical revolution of farming since the 1950s is now being supplanted by a biotechnology and information technology revolution that could be even more dramatic in its effects on rural areas. Yet, technological changes are not limited to those in agriculture. The emergence of the information age and information technologies offers the opportunity to reduce further the isolation of rural areas and permits new rural economic activities previously tied to concentrations of people. New technologies also have the potential to allow some activities now requiring rural locations to move to urban areas.

- Rural America is no longer isolated from international forces. The value of the dollar, foreign policy decisions, export promotion programs, trade embargoes, domestic self-sufficiency goals in other countries, increased competition from foreign manufacturers, and the movement of rural manufacturing production facilities to other countries extend the influence of international forces into both the farm and the nonfarm economies of rural areas.

- The changing demographics of the nation and rural areas portend some significant shifts in rural policy concerns. The most obvious demographic change is the aging of the population. This means health care, housing, transportation, recreational facilities, and training for emerging occupations will gain increased importance. The retiree is an emerging economic force in both the national and rural economies that needs to be explicitly considered in rural economic development efforts.

- An increased proportion of personal income is coming from dividends, interest, rents, private retirement funds, and transfers (e.g., social security, public assistance, unemployment compensation). This has been stimulated by an aging population, indexed retirement benefits, and an increased number of financial alternatives for savers and investors.

- Off-farm income is a larger and more stable source of income for farm families than net farm income. Even for moderate and large farms ($100,000 to $499,999 gross farm sales), off-farm income provides an average of one-quarter to one-half of total family income and has become critical to the maintenance of farm family living standards.

- There has been a visible national shift to service-producing activities (e.g., health care, finance, insurance, engineering, and information processing). Nationally, these activities have provided the majority of jobs since the early 1950s. The development of a service economy has implications for the types of occupations people are prepared for and the incomes earned by workers. Some question exists, however, as to whether the rural sector can compete and benefit from a service-oriented economy to the same extent as the urban sector.

Some Important Trade-Offs and Choices

The decision to adopt one course of action often means that achievement of one goal is sacrificed for the attainment of another. Trade-offs are inherent in most policy choices. They are particularly important when public resources are limited and the emphasis is upon balancing the federal budget.

- *Growth Versus Stability and Conservation.* Policies that would make rural areas a "viable economic partner" by making them more competitive in world export markets might also make them more vulnerable to sudden changes in macroeconomic conditions and exchange rates. Such policies might also make it more difficult to protect natural resources for current and future generations.

- *People Versus Places.* Policy choices involving rural development may trade the welfare of individuals against the health of communities or regions. What is best for people, as individuals, may not be considered to be best for places. For example, the income of an unemployed person may be significantly increased if he/she is retrained for a job located in a larger community not located within commuting distance. Yet, if such a policy is aggressively pursued with regard to a particular community or region encountering unemployment problems, the community's economic base is undermined. Yet the communities in which people live are very important to people with family ties and other interpersonal relationships being built around communities. The policy choice in rural America often boils down to preserving the place (community) or enhancing the welfare of individuals. Yet it is not clear that some rural communities can be saved even if a "safety net for communities" policy were pursued.

- *Efficiency Versus Equity*. In order to compete in a national and international economy, rural businesses must be efficient. Likewise, rural governmental units must be efficient at delivering services, providing services at high enough quality and low enough cost to enable private firms to compete in global markets. The result is often tax concessions or public service subsidies as a means of attracting new businesses to a community. However, a policy which encourages efficiency in one community could be considered unfair to other competing businesses and create inefficiencies. Likewise, deregulation of banks, telecommunications, and airlines may be considered unfair by businesses that experience higher costs. Equity of service might be also hindered.

- *Long-Run Versus Short-Run*. Policies that improve rural employment or income in the short-run may hurt the long-run competitiveness of these areas. For example, tax concessions or public subsidies that attract businesses to rural areas in the short-run may encourage inefficiencies that make these businesses unable to compete in the long- run. Furthermore, such policies may ultimately diminish the ability of communities to attract new businesses. For example, short-run efforts to attract industry may result in infrastructure expenditures and tax concessions that drain away resources from education. Investment in education may be viewed as being counterproductive because it merely encourages students to leave the local community in favor of higher paying jobs in larger cities. Yet without investments in education, the level of skills attainment needed in the local work force to attract business may not exist.

- *"Worst First" Versus "Most Potential."* Policies that provide assistance to those areas or people in most need are sometimes called "worst first" policies. By directing resources first to those with the most severe problems, such policies may benefit fewer people and require more resources to achieve a given result. An alternative is to concentrate resources first on those people or areas with the most potential. These policies and programs are likely to reach more people or areas more quickly and to achieve a given result at lower cost per beneficiary.

- *Sectoral Versus Comprehensive Policy*. Production of goods and services occurs within industries. Since industries such as agriculture have a common interest, policy tends to be developed on an industry-by-industry or sectoral basis. Because many different interest groups work with these agencies in policy formulation, current rural policy has little common focus. An alternative strategy involves the establishment of a comprehensive rural development policy which integrates a wide range of programs that are not sectoral-specific--infrastructure development, education improvement, leadership training, capital development, resource development, and health care delivery. Such an integrative program would be designed to increase the growth potential and improve living conditions across the rural economy.

The decision to trade-off one goal for achievement of another by pursuing a particular policy is made on the basis of **information** about the context of the decision and the consequences of alternatives and **values** of the individual decisionmakers as well as the political culture within which they operate. The political system generating policy decisions in this country encourages both individual and collective (interest group) action to channel information about both facts and values to policymakers.

National Issues

- Out of this discussion, the following issues of national scope and importance arise:
- How to create jobs in rural areas to produce goods or services that are competitive in increasingly international markets and less vulnerable to cyclical fluctuations.

- Whether to create specifically targeted programs for rural residents for poverty, rural health care, and rural education or to continue a sectoral approach that tends to distribute benefits on the basis of either population or wealth.
- How to satisfy the ever-increasing costs of rural services when revenues do not necessarily match inflation and the quality of rural services persistently lags behind urban services.
- How to capture for rural areas the benefits enjoyed by the public at large but not paid for by the general population.
- How to offset the reality or effects of persistent outmigration of the best educated youth and most highly skilled individuals.
- How to create a rural environment that fosters the development of good-visionary ideas and the talent of leadership required to implement them in both the private (business) and public (government) sector.
- How to eliminate persistent problems of rural poverty, poor educational systems, inadequate health care, and lack of opportunity.

The Federal Role

Important decisions about the federal role in rural policy will continue to be made in the next several years. Each of the papers in this series addresses the justification for federal involvement in its specific policy area. These arguments for the federal role in rural development fall into the following categories:

- Remove chronic inequities that have proved to have no practical state or local solution.
- Increase efficiency of production.
- Provide leadership in solving complex regional or national problems.
- Coordinate across agencies and levels of government to assure mutually supportive achievement of policy goals at minimum cost.
- Distribute the costs and benefits of rural development activity equitably.
- Balance revenue-raising capacity across units of government.
- Remove or offset market imperfections.
- Increase the ability of rural areas to compete in domestic and international markets.

Even in cases where a strong case can be made for a federal role along one or more of the lines suggested above, a federal role can create more bureaucracy and inflexibility. Combining sectoral policies and integrative programs with federal, state and local governments could involve a higher level of coordination and centralization of programs. Perhaps three of the most important choices in rural development policy involve the degree of centralization of the development process; the degree of reliance on private versus public initiative; and the degree of federal versus state and local control. The benefits of federal intervention must be weighed against the costs of this intervention in any assessment of potential federal policies affecting rural areas.

The evolution of a federal role in rural development policy over the coming years could take place in the context of an increasingly active state role in development policy. The emergence of states as active partners in selected dimensions of development activity must be taken into account by those shaping the federal role.

Policy Areas Analyzed

The following six papers are designed to provide the basis for reader evaluation of rural development choices in six major areas:

- Income and employment
- Education, retraining, and relocation
- Utilizing natural resources effectively

- Reducing rural poverty
- Improving rural health delivery systems
- Financing and providing rural public services

Each of the papers follows a basic format that includes the following:

- The history of policy in the subject area.
- The current status of policy and description of the problem area.
- The critical issues that need to be addressed.
- The justifications for a federal role.
- The policy options and their consequences.
- The priorities that may be drawn.

The final paper in this series builds on the previous seven papers to provide a prescription on the dimensions of a comprehensive rural development policy.

State Perspective on Rural Issues

Tom Unruh, Senior Policy Analyst
Center for Policy Research
National Governors' Association

Today there are more than 100 bills submitted on rural development to the Congress. As you know, one of the major pieces of legislation is Senator Leahy's bill, but as the last session progressed, the diversity of opinion about what an appropriate rural policy is seemed to overwhelm the process and ultimately it was a very disappointing year. There was no consensus reached and there was no rural development bill passed. There are some prospects for rural development legislation in 1989. Both Presidential candidates have mentioned rural development in their campaigns. The Republican party platform committee had a subcommittee on rural development, and there is some language in their platform about it. The politics of the budget probably will reemerge after the long sleep of the campaign, however, and cast a shadow over any sort of large new program for rural development.

In 1990 there will be a farm bill and there will be a rural development title. We need to think seriously about what the prospects are for an overall comprehensive rural development program. One of the things we should think about is the fact that the people who are the players in putting together a farm bill are not really the people who are interested in rural development policies. The broader types of programs that we have talked about -- community development block grants and coordination with the Economic Development Administration and the Small Business Administration -- are all overseen by other committees besides the agriculture committees. The politics involved are going to make it difficult to come up with a comprehensive program within the context of a farm bill. This brings us to what the governors think are the two most serious questions about rural policy:

States must assume a leadership role in the new federal-state-local alliance because they are taking initiatives that the federal government is unable to take because of budget policies.

- Is it a top-down or bottom-up kind of policy?
- Will we see new, narrow categorical programs or will there be more flexibility from the federal level?

In a new report from the Task Force on Rural Development of the National Governors' Association, the governors made 12 broad recommendations relating to how the states can play a proper role in rural development. The impact of the federal government on rural development has been shifting as states are finding more ways to work together to increase the amount of money going to rural areas and to find new ways to promote rural development. The governors have recommended the following three general directions or groupings for state rural policy.

Helping Rural Communities Prepare for the Future

1. States should provide the necessary technical assistance to help rural communities prepare and implement their own development strategies.

2. States should encourage regional cooperation between communities to bring resources together, particularly where tax bases are declining and there are shortages in expertise.

3. States should hire special staff for offices of rural affairs at the state level to serve in an advocacy role.

4. States should help traditional rural industries develop new products and seek new markets.

5. States should provide local governments with the resources and authority to manage growth and should support regional and statewide efforts for growth management.

Making Wise Investments in Rural America

Another area of rural policy considerations for states has to do with making wise investments. Although it is not stated as such in the task force report, what the governors are really talking about is the decline of communities. For whatever reason, there will be communities that will not grow. There will be places where the out-migration among young people is increasing, the population is aging, and the tax bases are decreasing. The governors offered the following recommendations:

1. States need to look for ways to provide flexibility in regulations, particularly in support of local efforts to restructure health care systems.

2. States should encourage rural school districts to develop distinctive ways of restructuring, including closer integration of schools with other community activities, active participation by schools in community development, sharing services among districts, and provision of distance learning options.

3. States should gear highway and infrastructure investments to economic opportunities and have economic development criteria that go into the planning of these projects rather than basing decisions on a project-by- project bid basis.

Making the Most of Opportunities for Economic Growth

Another area that the governors have addressed with their recommendations is economic development. Here we get into more traditional kinds of economic development as the states are beginning to see and define their roles.

1. States should develop a statewide economic development plan that will orient their economic development activities toward existing and new businesses.

2. States and rural communities should modernize their industrial recruitment activities to take into account the strengths of local communities and to develop a code of best practices so that the state experiences overall net job growth rather than taking one plant from here and moving it over here and simply moving jobs around.

3. States need to look at ways to provide technical assistance and better access to financing for rural businesses.

4. States must look at worker training to make sure the work forces in those areas are adequate to meet the competitive needs of the public rural economy. They should invest in upgrading the skills of workers and encourage distinctive models such as locally designed block grants.

The Federal Agenda for Rural America

The Economic Research Service provided the task force with a paper that looked at how federal funds are distributed to rural areas. The majority of the funds come from income maintenance programs that maintain the income of people in the area but do not necessarily spur economic growth. Research and development funds tend to go to the coast, whereas the majority of income in rural areas is social security and farm price supports. Those are completely different kinds of spending. Since only the federal government can redirect the nation's resources across state lines, the task force offered the following agenda for a new federal commitment to rural America:

1. The mix of federal spending should be adjusted to encourage adaptation to changing economic conditions in rural America. The current mix of federal spending is skewed toward programs that maintain income rather than promote economic change.

2. The federal government should consolidate and increase the flexibility of programs that serve rural America so that local communities can determine what is best for their residents and what programs will work to suit their needs.

3. Federal policies need to be more sensitive to rural interests and their impact on rural America.

Let me conclude by emphasizing two concerns of the governors. Rural development needs to be a bottom-up process in which local initiative is the driving force. State and federal government loans are to assist local governments as they need it, technically and financially where necessary. Secondly, states are finding themselves taking over the reigns of economic development efforts. States must assume a leadership role in the new federal-state-local alliance because they are taking initiatives that the federal government is unable to take because of budget policies.

I would like to close with a quote from the chairman of the Task Force on Rural Development, Governor Terry Branstad of Iowa. He said that the real stars of rural development are the citizens in the communities. The states and federal government should be in supporting roles to these citizens and their productions. While once again underscoring the need for a federal, state, and local alliance, we must look first to the role of local leadership and initiative.

Keynote Address: North Central Region

The Honorable George Latimer
Mayor, St. Paul, MN

It may seem somewhat absurd to you to have a big city mayor address a group of rural development experts on the topic of rural development policy. However, it is my hope that as someone not involved in the day-to-day concerns of rural development that I may be able to offer some thoughts on what is missing from the current debate on solving the problems of rural America. I am convinced that there is a profound lack of public understanding of the current rural crisis, and that this lack of understanding cripples our efforts to forge development policies that can work. Too little of what you know about the conditions and prospects of rural America has become part of urban America's public discourse. And none of us--big city or small town, expert or layman--knows enough about how rural distress directly affects urban America. We are all in this together. Until we *all* understand your problems and their connection to our problems, we cannot build the political will and the well-reasoned national, state, and local policy necessary to rejuvenate our rural communities and strengthen our nation as a whole.

I am told that the main goal of your conference is to come to a consensus on federal rural policy. Federal policy is certainly a part of the solution. Some of you may even think that federal policy is part of the problem, but the federal role cannot be the whole solution. State government has an important role to play and so does local government. I believe that no package of policies can succeed unless it allows local communities--government and private interests together--both the tools to rejuvenate themselves and the opportunity to succeed.

After a period of "rural renaissance" in the '60s and '70s, we are faced with the realization that rural America is losing jobs, losing business, losing people, and losing confidence.

The Rural Crisis

It is no secret that rural America is troubled. Consider the following:

- Poverty rate almost 50 percent higher in nonmetro than metro areas in 1986 (18.1 percent vs. 12.3 percent).
- Non-metropolitan income as a percentage of metro income in 1986: 73.4 percent.
- Non-metro population growth has slowed radically in 1980s: In 1983-86, metro gained 1.2 percent annually, nonmetro .4 percent.

This set of problems is not limited to a particular geographic region or industry. It is, as the *Wall Street Journal* recently characterized it, "a coast to coast, border to border, collapse of much of our rural economy." After a period of "rural renaissance" in the '60s and '70s, we are faced with the realization that rural America is losing jobs, losing business, losing people, and losing confidence.

When many of us "city folks" think about the troubles of rural communities, we often think exclusively of the drought or the loss of family farms--very real and tangible images broadcast to our homes. They are, however, images of calamities *out there*--things happening to somebody else, things that do not seem to affect us very much. We have not done a good job of making the connection between rural distress and our own situations. Those anecdotes on the evening news are not only touching, individual, human calamities but also indications of a deeper, national problem. I think that lack of knowledge about the latent effects of the rural crisis must be recognized by urban policymakers and by the nation in general if we are to capture a sense of urgency about this problem and if we are to move forward in developing solutions.

As you know only too well, the rural crisis is not simply a matter of unemployment rate and production declines. It is an unraveling of the social fabric that holds these small cities and towns together. Community leadership and capacity building for the future look bleak when the town's "best and brightest" leave their parents for the city after high school because they see no hope or opportunity in their struggling hometown.

As populations dwindle in many rural communities, those remaining behind often find that life becomes more difficult. The basic essential services that Americans take for granted, such as food markets, medical care, banks, and education, are no longer readily available. Fewer than 15 percent of all physicians practice in nonmetropolitan areas where 23.5 percent of the nation's population lives. Evidence suggests that the number of rural physicians is decreasing. At a recent medical conference in the Twin Cities, new doctors were wined, dined, and courted by rural community leaders desperate to find a general practitioner or specialist for their town. More than 700 rural hospitals have closed in the past 15 years and admissions declined by 22 percent between 1979 and 1985. Rural hospitals are often forced to close because of higher per person costs due to smaller economies of scale and lower population densities. The result is a declining level of health care in rural America.

More than 700 rural hospitals have closed in the past 15 years and admissions declined by 22 percent between 1979 and 1985. Rural hospitals are often forced to close because of higher per person costs due to smaller economies of scale and lower population densities. The result is a declining level of health care in rural America.

The same kind of sad story is true in other aspects of life as food stores, other retailers, banks, and other businesses close, change branches, or reduce services. There is a whole host of social service consequences resulting from the rural decline that have not received the attention they deserve. To make matters worse, many small-town city administrators face the ironic challenges of trying to meet increased service demands at a time when human and financial capital are fleeing the community.

Urban-Rural Disparities

While the rural crisis itself is absolutely staggering, the problem becomes even more insidious when one considers the growing economic and social disparities that are developing between urban and rural communities. Between 1976 and 1986, rural areas gained new jobs at only 43 percent of the rate of metropolitan areas. During the same period, unemployment rates rose in rural America from 0.4 percent higher than the metropolitan rate to 2.6 percent higher than the metropolitan rate. The Economic Research Service of the U.S. Department of Agriculture projects that unless rural communities can change their mix of industries they will gain jobs for the rest of the century at only 73 percent of the rate of metropolitan regions. A U.S. Senate committee on rural development found that the incidence of substandard housing is three times as high in rural areas as it is in urban areas.

There is, in short, a growing disparity between urban and rural economies. It strikes me as ironical that when all of your rural experts got together to discuss rural development policy, the place you chose to meet is a big city--the biggest city, in fact, between Chicago and the West Coast. Of course, I understand why. Airfares are cheaper and connections easier than to a smaller city (because of deregulation), and the facilities are more economical in a metro area--maybe. But the irony is still there, and it tells us something about the causes and effects of urban-rural disparities.

My concern about the level of disparity between urban and rural communities is not simply altruistic. I am also very concerned about the implications for metropolitan regions and the national economy of a continued decline in rural America. I am convinced that the fates of rural and urban communities are inextricably linked. A healthy and productive national economy that can be competitive in the international marketplace must have a balanced population base in both metropolitan and nonmetropolitan areas, each with economies and social support systems that are themselves balanced. And yet, we know little about the relationship between the two types of areas.

Just a month ago I was asked by National League of Cities President Pam Plumb to chair a special Task Force on Urban-Rural Disparities. The charge to the group of large and small city officials and academicians that I will be convening this fall will be to examine the nature and depth of disparity between the two types of communities and to better understand their relationships. Let me share just a few examples of the issues we will be examining.

Between 1985 and 1986, there was a migration of 500,000 people from rural to urban communities. Between 1986 and 1987 the number rose to 750,000. How are these population pressures being handled? How are increased pressures on transportation systems being handled? Are there additional welfare burdens for central cities as a result of this trend? Are rural migrants competing with the urban poor for scarce jobs? Can we house more unemployed or underemployed people? What is the effect on urban schools?

The answers to these and other questions that the task force will address are of vital concern to officials for both urban and rural communities. In a number of states, including Minnesota, an ugly type of dissension is growing between urban and rural officials. Some urban and suburban legislators are escalating their complaints that the metropolitan region generates the growth and tax dollars and yet a disproportionate level of funds is being channelled to rural regions. Similarly, given the deficit and Gramm-Rudman, it is only a matter of time before animosity between urban and rural Congressmen increases over federal funding priorities. The challenge before us is to develop a better understanding of the importance of the linkage between urban and rural economies and to create a recognition that it is in the interest of the state and nation to have healthy and productive economies in both urban and rural communities. If we fail in this challenge, we will fall victim to a senselessness and divisive parochialism that will serve neither the interests of urban or rural America.

In addition, by expanding the understanding of rural problems by metropolitan city officials and demonstrating that they, too, are stakeholders in rural communities, rural leaders will have developed a powerful ally. It may sound trite, but we really are "all in this together." Rural leaders have a right to demand that their problems be addressed. Urban leaders have a right to expect that tax dollars from their communities be spent wisely. Our goal must be to find our "common ground" and work on solutions that unite us rather than divide us.

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Another crucial goal must be to specify, in our policy choices, the division of labor among the levels of government and between the public and private sectors. The rural crisis is everybody's problem and everybody has a chore to do, but we need to be thoughtful about who does what. Federal policy choices are crucial because they govern the gross workings of the economy, but the states can have a great effect, too. I believe fervently that in rural America, as in urban America, the solution must come from the affected communities themselves. The men and women in each rural community, in and out of government, have to have the tools to rejuvenate their communities. That is the role of big government--to make the tools available. But the solutions will come from within each community as local partnerships are forged. We have to make sure that the tools exist and that local communities develop the capacity to use those tools.

I have no illusions that the Urban-Rural Task Force will solve all of these problems. It will take the concerted effort of the people in this room and many others. However, if we can begin to make urban residents better aware of the problems facing rural communities, educate policymakers from both regions concerning the linkages between their economies, and harness the energy and political will of all of them, I am convinced that we can begin to take meaningful steps toward rejuvenating America.

Rural Development Policy Issues in the North Central Region

Janet Ayres, Purdue University

There are many critical issues confronting individuals, families, and communities in the rural Midwest as they attempt to adjust to a rapidly changing environment. Many of the stresses and challenges have been brought about by the restructuring of the economy, demographic changes, and federal policies. This paper will deal with three general issue areas felt to be most pertinent to federal rural development policy debates.

The Economy of the North Central Region

Nearly 17 1/4 million residents live in the rural areas of the North Central Region. They constitute 29 percent of the total population. The nonmetropolitan counties comprise 83 percent of all the counties in the region.

The economy of the rural Midwest is very diverse. People earn their living from a variety of sources. However, the Midwest is unique with the predominance of two major economic structures -- agriculture and manufacturing. On the average, 22 percent of the nonmetropolitan counties in the region are dependent on manufacturing; 43 percent are farming-dependent. Consequently, this region has been particularly susceptible to the macro-economic forces of the early 1980s.

The diversity of the North Central Region is apparent when comparing the economic base of the Eastern states, including Ohio, Indiana, Michigan, Illinois and Wisconsin, and the Western states, including Minnesota, Iowa, Missouri, North and South Dakota, Nebraska and Kansas. In general, the Eastern area is more urbanized and tied closely to manufacturing, while the Western states are more rural and dependent on farming. On the average, 44 percent of the nonmetropolitan counties in the eastern region are dependent on manufacturing. Ohio is most closely tied to manufacturing with 76 percent of its rural counties dependent on this sector.

Rural counties comprise 83 percent of all the counties in the North Central Region, and rural residents constitute 29 percent of the total population.

In contrast, farming is the dominant industry in the western part of the region. Approximately 79 percent of the nonmetropolitan counties in North Dakota are farming-dependent as are 73 percent in Nebraska and 65 percent in South Dakota. Agriculture is also important in the eastern states but is dominant in only 18 percent of the nonmetropolitan counties.

Another illustration of the diversity within the region is the amount of urbanization. Ohio, one of the most urban states in the region, has 21 percent of its population residing in nonmetropolitan counties, yet 57 percent of its counties are classified as rural. South Dakota, on the other hand, is one of the most rural states with 72 percent of the residents living in nonmetropolitan counties. The sparse population is also evident in South Dakota, which has an average of nine people per square mile as contrasted to 263 people per square mile in Ohio.

Another significant economic feature in the Midwest is the aging of the population and the inmigration of people over the age of 60 creating the growth of "retirement communities" in some areas. Although this is not a dominant economic force in the North Central Region, nor is it unique to this area, it illustrates the diversity of the economy in the region and the potential for future economic growth in some areas. Approximately 12 percent of the counties in the Midwest fall into this category. They are clustered in the scenic regions of Michigan (53 percent of the nonmetropolitan counties are classified as Retirement Counties), Missouri (34 percent), Wisconsin (29 percent), and Minnesota (14 percent). In other communities, however, the aging population creates challenges with increased demands for health care services, low-cost housing, available labor force and community leadership.

The Midwest has only 15 counties classified as "Persistent Poverty Counties." These are nonmetropolitan counties which have suffered high levels of poverty for long periods of time. They are most prevalent in the Southeastern region of the United States. However, poverty does exist in the Midwest, especially in areas of Missouri and South Dakota.

The economic structure of the North Central Region and the stress experienced in agriculture and manufacturing in the early 1980s is reflected in the region's population growth. As a whole, the region grew only 0.8 percent between 1980-1986, while the Northeast region grew 1.8 percent, the South grew 10.1 percent and the West grew 12.9 percent. The nonmetropolitan counties in the Midwest fared even worse, growing only 0.3 percent. The rural areas in six of the Midwestern states showed a slight loss of population. Iowa experienced the most out-migration of people and is the only state in the country to have a consistent loss of population each year since 1981. This constituted a loss of 83,000 people.

The region grew only 0.8 percent between 1980-1986. Iowa experienced the most out-migration of people and is the only state in the country to have a consistent loss of population each year since 1981.

The rural areas of the North Central Region, like rural areas throughout the nation, are confronted with numerous social and economic challenges brought about by the major structural changes in agriculture and manufacturing and by demographic changes. Because of the concentration of both agriculture and manufacturing in the North Central Region, the Midwest has been especially susceptible to these forces of change. This has resulted in an overall stagnant rural economy.

There are many critical issues confronting individuals, families and communities in the rural Midwest as they attempt to adjust to a rapidly changing environment. Three general issue areas that are intricately woven together and surround the transition of the rural economy in the Midwest are especially pertinent to the development of effective federal rural development policies. These include creating growth in rural jobs and income, financing rural services, and building human resources.

Issue: Creating Growth in Rural Jobs and Income

The rural economy is tied to and affected by worldwide economic forces. International competition and a strong dollar served to put both rural manufacturing and agriculture at a disadvantage in the first half of the 1980s. The rural areas have been further weakened by their inability to capitalize on the shift to service jobs. Deregulation brought new market forces to bear and as a result created additional economic stress on rural areas. The net result has been a loss of jobs, lower incomes, net out-migration of the population, and a growing disparity between urban and rural areas.

Declining Employment and Income in Agriculture

Advances in technology over the decades have made American agriculture highly efficient and consequently have displaced many farm workers. The financial stresses in the early 1980s accelerated this trend and brought the restructuring of American agriculture to worldwide attention. The growth of many small part-time farms that earn most of the family income from off-farm sources and a relatively small number of very large farms which produce most of the nation's food and fiber is likely to continue. The number of middle-size farms is declining. With continuing advances in technology, especially in biotechnology, and the necessary international competitiveness in agriculture, efficiency will likely increase. The end result will be fewer farms, larger farms and fewer middle-size farms. The farms in the North Central Region are in the midst of this transition. From 1980-1987, 124,000 farms were lost in the Midwest.

Farm families and agri-businesses are tied to rural communities in numerous ways. Many of the communities that are dependent on the middle-size family farm for retail businesses, schools, health care, churches and other economic and social institutions are currently stressed by the changes in the agricultural sector. As agriculture continues to restructure, these farming communities will continue to decline unless alternative economic strategies are adopted.

Agriculture in the Midwest is home to 41 percent of all the farms in the United States and to one-half of the total U.S. farm population. One in seven rural residents in the Midwest live on a farm. Looking at the total rural economy, however, farm earnings constitute only a small portion of total personal income. Due to severe financial stresses, many farm families have become dependent on off-farm employment. In 1983, off-farm employment accounted for as much as 72 percent of the total farm family income in certain areas of the North Central Region.

A large portion of the most agriculturally dependent counties in the country are located in the North Central Region. It is likely that this area will continue as a major agricultural center. Foreign competition will demand even greater efficiency in American agriculture and advances in technology will drive the continued restructuring of this sector of the economy. Although some income growth will occur in agriculture, employment will continue to decline. Federal policies must be concerned with adequate income levels for those farm families that remain in farming, alternative jobs for the displaced farm population, and the emotional and financial stress of the farm families caught in the transition.

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Continuing Susceptibility to Changes in Manufacturing

Manufacturing is a major source of employment and earnings in the Midwest. The high-priced dollar in foreign exchange markets not only affected agriculture in the early 1980s but had an equally devastating impact on rural employment and income within the manufacturing sector. The Midwest was particularly susceptible to these macroeconomic changes and the effects are reflected in the real earnings and unemployment rate of the region.

The annual changes in real earnings in the Midwest had the highest rate of decline during 1979-1982 and the lowest rate of recovery during 1982-1986 of any region in the United States. The nonmetropolitan counties fared the worst. In the goods-producing industries (includes manufacturing and agriculture), the nonmetropolitan counties in the Midwest had a higher decline of real earnings (-10.9 percent between 1979-82) than the metropolitan counties (-8.1 percent), but had a slightly higher increase between 1982-1986 (+3.9 percent) than the metropolitan counties (+2.5 percent).

The unemployment rate in urban and rural areas in the Midwest has widened since 1979. In 1979, the rates were nearly the same, around 5.5 percent, and slightly less than the U.S. average of 5.8 percent. In 1986, the U.S. average was 7.0 percent. The Midwest metropolitan counties were near that rate at 6.9 percent. The unemployment rate in rural counties was higher at 8.3 percent.

Of greater concern in the North Central Region, however, is the rate of underemployment -- those workers who are out of a job, work for low pay or work too few hours. The North Central Region ties the Southern Region with the highest rate of underemployed, 29 percent. Only about one-third are counted as unemployed. This has direct economic effects, but it also bears significance on national policies. Many federal jobs programs base their funding on unemployment rates and inadvertently direct benefits away from rural areas and underestimate rural economic hardships.

Manufacturing, like agriculture, will continue to restructure in order to remain competitive in an international market. Some older firms will close branch plants in communities and displace workers, while others will open new branch locations or expand existing facilities and consequently create new job opportunities. Advances in technology will lead to new products and new business start-ups that will also create new jobs. As the region's economy restructures, federal policies need to be sensitive to the short-term human distress that is created as workers and their families are displaced, while at the same time accommodate the longer-term economic transformation.

Transition to a Service Economy

Most new jobs will be in the service sector, primarily in business services, health services, tourism, finance and insurance. Rural areas in the Midwest are struggling to make the transition from a traditional goods-producing economy to a service economy. It is a difficult process in rural areas because they have limited wealth and lack access to certain critical resources necessary for the successful transition. Consequently, they are unable to compete with the urban areas. These critical resources include access to knowledge of new technologies and better educated employees; access to capital for business start-ups, expansion of existing businesses and adoption of new technologies; access to interstate highways and to airline facilities that offer competitive schedules and fares; access to telecommunications, especially fiber optics; and access to a high-quality living environment that includes good schools, health care, satisfactory housing, and recreational and cultural opportunities.

Rural areas in close proximity to urban areas can draw upon the resources offered by metro communities. The disadvantaged communities are those in the more remote areas where resources and access to resources are limited. Tourism, retirement centers, the exploitation of natural resources and some businesses which are not dependent on location specific markets offer some job and income opportunities in these remote areas. Entrepreneurs who are creative in exploiting local strengths, willing to take risks, and successful in finding a market niche for needed goods or services are critical in these areas. Federal, state and local policies should create an environment which encourages and supports entrepreneurs, especially in the more remote rural regions.

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Growth in Retirement Communities

Nearly one-third of the country's nonmetropolitan elderly live in the Midwest. The unearned income of the elderly (pensions, investments and government transfers) provides money which can be spent on goods and services within the community. Nationally, unearned income accounted for 33 percent of personal income in 1982. As the number of elderly continues to grow, it is likely that many will be attracted to areas of the Midwest. Thus, in some counties retirement income represents a substantial and increasing percentage of total personal income. This has implications for federal policies, but especially for state and local economic development policies.

Issue: Financing Rural Community Services

Community services such as water systems, housing, fire protection, schools, police services, wastewater treatment systems, health care, ambulance services and recreational facilities are some of the critical components to the quality of life in rural communities. The quality of these services and facilities also affects the ability of communities to attract new businesses. In many communities these services are either not available or they are deteriorating. A study indicated that nearly 60 percent of rural communities in the North Central Region have no public water supply. Only 26 percent are served by a wastewater treatment plant. About 18 percent of rural communities have more than 67 percent of their pipelines over 50 years old. While the issue of adequate community services is not unique to the North Central Region, it is an important issue to the revitalization of the rural Midwest.

In large part, federal grants and aids have provided funds for communities to develop or expand their public services. Government aid in recent years has been eliminated or significantly reduced. The problem is further exacerbated by the fragility of the economic base which provides local revenues in the rural communities. The value of agricultural land has declined substantially thereby reducing the property tax base in farming counties. For example, between 1980-1987 the average value of farmland in Iowa declined 59.3 percent and declined 54.6 percent in Minnesota. Consequently, many nonmetropolitan governments are faced with limited revenue generating sources to meet increased demands for quality services. The result is severe fiscal stress in many communities. This was found to be most prevalent among the nonmetropolitan local governments in the eastern North Central states.

It is expected that the physical infrastructure in rural areas will continue to deteriorate and that local governments will experience increased fiscal stress. This infrastructure is critical to the quality of life in the community and to economic development. While some communities will "downsize" their services or find alternative ways to provide necessary services, many will not be able to do so. Federal monies will be needed to develop new services and to upgrade many others to protect the environment and the health and well-being of the rural residents.

In 1985, per capita federal expenditures for all functions were $3192 in urban counties and $2478 in rural counties, 22 percent less. The issue of disparity which places rural communities at a disadvantage should be addressed at the federal level. States should also consider their policies and funding allocations for similar differences.

Financing rural services is a critical issue, but equally important is the issue of management and decision-making capability of local policymakers and service operators. Creative new ways are needed to provide services more efficiently in rural areas. Educational programs on alternative service delivery systems and on better management practices are essential to enable local leaders and employees to increase service efficiency and stretch reduced budgets. This function perhaps can best be served at a state level.

Surrounding the issue of rural services is the disparity of federal funding in rural and urban areas. In 1980, per-capita federal funds for human resource programs (education, food and nutrition, health and social services) were $51 in rural areas and $86 in the cities. In 1985, per capita federal expenditures for all functions were $3192 in urban counties and $2478 in rural counties, 22 percent less. The issue of disparity which places rural communities at a disadvantage should be addressed at the federal level. States should also consider their policies and funding allocations for similar differences.

The issue of disparity between rural and urban areas is perhaps best illustrated in the area of health care. Although health care in general has improved in this country, the rate of health care improvement in urban areas has far outstripped that of rural areas, and the gap is widening. Many studies have shown that rural Americans are a population at risk in nearly every major disease category, and, at the same time, underserved by practically every type of health professional. Nationally, rural populations are vulnerable to a high incidence of modern chronic diseases because they are poorer, less educated, and older. In the Midwest, health care is especially significant because of the stress created by the restructuring of the economy and by the high proportion of elderly. One in seven residents are over the age of 65 in this region. Studies have shown that rural older people are twice as likely as those in urban areas to be in lower health status categories. Thus, the situation suggests the need for considerably more health care services. Yet, in reality, the reverse is true as most health professionals and services are located in the urban areas. In order to make today's technology in the medical profession affordable, large multispecialty clinics and hospitals have been established in the more populated urban areas that can guarantee high utilization by insured patients. Such technology is beyond the financial and geographic reach of many rural practitioners. Health care professionals, desiring and needing to be up-to-date with the latest technology, are finding rural communities less attractive places to practice. Consequently, rural health care becomes less accessible to the people who need it the most. Furthermore, the lack of quality health care in a community makes it less desirable for potential new businesses and industries. Not only are individuals and families disadvantaged by an inadequate health care system, but the total community suffers as it attempts to grow and develop. In terms of federal policy, the issue is one of developing a system whereby rural residents have access to needed health care services and facilities, thus narrowing the gap between rural and urban areas.

A final issue relative to rural services is the current lack of technologies and skills in nonmetropolitan areas needed to take advantage of the "information age." Most businesses today are dependent on people's ability to organize, store, retrieve, and transmit information. The rural areas are lacking the technologies (modernized telephone systems, two-way satellite communication, and links with fiber optic networks) and the people with the skills to operate these technologies. Once again rural areas are at a disadvantage with urban areas to compete for new business development. This is an issue that perhaps can best be addressed at the national level.

Issue: Developing Human Resources

The quality of the labor force is intricately linked with the economy of the region. On the average, the rural educational attainment level is lower and the average high school dropout rate is higher than in urban areas. The relatively low-skill, low-wage occupational structure in rural areas is related to the low educational attainment of rural workers. In order to take advantage of the white-collar jobs in the service sector, education becomes a critical factor. For youth still in high school, the curriculum and quality of education offered in the rural schools is becoming increasingly important. For the displaced industrial workers, displaced farmers and other proprietors and members of their families -- many of which may be facing a shift from production jobs to white-collar jobs in the service sector -- career counseling, job training and retraining are also critical needs in the rural Midwest.

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Both the state and federal governments have a role to play in the education of all citizens, but especially to narrow the gap in educational attainment between rural and urban areas. Human resource policies are also needed to equip rural people for the major changes they are experiencing and will experience in the future as the regional economy continues to change. Measures to increase the quality of the labor force in rural areas is critical to the ability of the region to move more effectively into a service economy. Not all displaced workers, however, will be able to make a successful transition to new jobs. Older workers and those who lack basic educational skills will be difficult to place. They, along with many of the long-term rural poor, will be dependent on federal and state programs.

A second human resource issue deals with local leadership and the ability of rural areas to effectively adapt to ever-pressing changes. While state and federal policies are critically important to the revitalization of rural America, in the end the primary responsibility for making appropriate decisions and taking actions to improve rural areas lies in the hands of local leaders. Most rural communities depend on volunteer leadership. As a result, many of them do not have the time or resources to keep abreast of the new developments and technologies necessary to the operation of local government or to gain a competitive edge on business development.

The problem of leadership is further exacerbated by the out-migration of younger people, especially in the North Central Region. This sustained out-migration has left the nonmetropolitan counties with a lower share of people in the prime working age group of 20 to 44. Not only is this a serious constraint on future rural job growth, it also creates a vacuum in leadership. Creative leaders who view change as inevitable and as a situation filled with unlimited possibilities for positive responses and who are willing to commit the time and energy necessary to involve others in revitalization efforts are critical to the future of the rural Midwest. Educational programs to develop new rural leaders and to enhance the skills and abilities of existing community leaders and policymakers are needed to increase the capacity of rural communities to take charge of their own destinies. This function, however, may best be served at a state level.

Summary

Increasingly rural areas have been disadvantaged by national and international markets, macroeconomic policies, changing industrial and employment structures, demographic shifts and an aging population. Rural residents have lower incomes, lower education, higher median age, and poorer health than those in urban areas. The problems are further exacerbated by federal policy disparities that put rural areas at a disadvantage and provide inequitable access to critical resources with which to solve their own problems. While the issues discussed in this paper are relevant to all rural areas in the United States, the North Central Region has been perhaps the most vulnerable in the 1980s due to its economic dependency on agriculture and manufacturing.

As rural development policy debates ensue, there are several critical issues in the North Central Region that come to the forefront. One concerns the entire restructuring of the rural economy, a process that involves creating more jobs, increasing income levels and assisting individuals and families caught in the transition. Inherent in debate over this issue is the question of accessing critical resources, such as knowledge and capital, to enable local rural leaders to pursue economic development activities. Tied to this is the education, job training and retraining of the rural labor force in order to meet future employment needs.

A more equitable rural health care delivery system and an information technology network are especially imperative for the health and well-being of individuals and families and for the economic growth of businesses and communities.

The financing of an inadequate and deteriorating rural infrastructure is also a critical federal concern. More efficient delivery systems for all rural services are important issues, but a more equitable rural health care delivery system and an information technology network are especially imperative for the health and well-being of individuals and families and for the economic growth of businesses and communities.

The ultimate actions to revitalize the rural Midwest reside with the rural residents themselves. However, they must possess the knowledge, skills and access to critical

resources to bring about desired changes. The federal government has a role to play to ensure that rural areas are not at a disadvantage due to federal policies and programs. Furthermore, there is a critical need to address those individuals and families who are unable on their own to adapt to the transition of the Midwest's economy.

Rural Leadership Policy

Daniel Otto, Iowa State University

Profound economic and societal changes have forced rural community leaders to confront difficult and fundamental public policy issues on economic and institutional organization. In the rural Midwest, these long-term changes include:

- Global macroeconomic shocks to trade sensitive sectors.
- Increasing fiscal stress for local governments.
- Declines in farm numbers and farmland values.
- A lack of a diversified economic base.
- Shifts and migration of rural population.
- Declining enrollments in rural schools.
- Aging of the rural population.
- Increased costs of rural health care services.
- Evolving employment and trade area patterns.

These emerging changes in the structure of communities are particularly acute in rural areas with a strong dependence on agriculture.

Structural changes of the magnitude experienced in recent years raise a strategic question for rural leaders. At issue is the problem of finding ways for rural communities and their institutions to restructure and remain viable in the future. These structural changes are readily apparent in numerous local government institutional problems and rural policy issues such as school restructuring, local government restructuring, rural health care for the elderly, water quality, waste management, road costs, regional banking, agribusiness consolidation, and organization of rural economic development initiatives.

These structural changes are developing at a time when the experienced power structure leaders of many rural communities have retired or been decimated by the farm crisis and its impact. The result has been a leadership void in many rural communities. Therefore, there is a need for a new generation of leaders with the decision-making capacity and expertise to fill the voids where they exist.

Because community and rural development initiatives are often limited by the external policy environment and global economic performance, leaders can easily become overwhelmed by the complexities and multitude of challenges faced. Also, each structural issue presents its own unique subject matter and set of constraints to add complexity. A decimated power structure does not provide the highest odds that objective information on structural options will be available for young and established leaders in many rural communities.

The issue of developing effective leadership and decision-making capacity is at the heart of what the Midwest group has defined as the major rural development problem facing the region.

Without a systematic approach to dealing with these issues and outside technical assistance, many local government officials and decision makers may be reluctant to take aggressive actions for fear of making wrong decisions. This hesitancy can often be compounded by a perceived inability to develop a common understanding of the problems and options available. Myths and emotions guide policy decisions in the absence of factual data and experienced technical expertise. The result is an inability to form coalitions of broad interests to position rural community institutions, public and private, for the future.

The issue of developing effective leadership and decision-making capacity is at the heart of what the Midwest group has defined as the major rural development problem facing the region. The remainder of this paper will review the historical context of efforts to develop decision-making capacity in rural areas, examine the critical issues that present programs attempt to address, examine the federal role, and discuss policy options for dealing with the leadership crisis in rural areas.

Historical Context

There is very diverse literature on approaches to developing leadership and decision-making capacity from private and public sources. This review will focus on two major approaches used within the land-grant system to improve the leadership and decision-making capacity of rural communities. These are community leadership programs and policy education/strategic planning programs.

Leadership Skill Programs

A literature review of research on community leadership programs describes the major approaches to leadership development as having rather diffuse origins. Five major approaches outlined in this literature include:

- **Trait Analysis.** Leadership is conceived to be a person's influence on a group of people. It is thought that certain leader's traits cause certain responses in followers. Thus, the trait research has focused on identifying characteristics that distinguish leaders from followers and effective leaders from ineffective leaders. Many researchers criticize trait research for being too inconclusive. They assert that no reliable or coherent pattern exists and that the search for a set of universal leadership traits is futile considering the number of situational variables that affect the exercise of leadership.

- **Behavioral Analysis.** Although behavioral analysis also centers on leadership as a person's influence on a group, the influence is thought to be caused by the leader's behavior patterns as opposed to personal traits. In other words, certain leader behavior causes certain responses in followers. The behavior research has attempted to identify the most effective sets of leader behaviors.

- **Situation-Contingency Analysis.** Situational-contingency analysis still views leadership as influencing others. But the influence is affected by contextual factors or "situational contingency." Thus, leader traits and behaviors modified by situational contingencies cause certain responses in followers. Research supporting this approach has aimed to discover the most effective leader traits, given specified situational variables. Much research is currently being conducted on situational-contingency orientation and is widely accepted as the leading paradigm in leadership research. Four variations of situational-contingency theory are described as follows:

    - *Contingency Theory* proposes that leadership effectiveness depends on the interaction between a single personality trait and the favorableness of the situation.

    - *Leader Match Theory* is a self-paced program designed to teach leaders to analyze their leadership orientation, diagnose critical situational variables and understand the contingency model. If orientation and situation favorableness are mismatched, leaders are advised to adapt the situation to fit their orientation and are given suggestions for doing so.

- *Path-Goal Theory* is based on the premise that a leader can increase follower satisfaction and performance by clarifying and facilitating paths to goals and providing rewards that are contingent upon achieving goals.

- *Normative Decision Theory* is a prescriptive theory of leader decision-making behavior that prescribes how leaders should make decisions, given specific situational variables. According to the theory, the effectiveness of a decision is determined by three criteria: its quality, its acceptance and support of followers, and the time required to make it.

- *Transactional Analysis*. Transactional analysis suggests that the influence exerted in leadership situations is recognized as a reciprocal exchange between leaders and followers. In other words, leadership is a transaction in which leaders and followers are mutually influenced and respond in an exchange process. Research on this approach has focused on how the leader-follower relationship develops and changes over time and what kinds of exchange processes are most effective.

- *Attributional Analysis*. In attributional analysis, each individual has certain concepts about leadership and certain expectations about how effective leaders should behave. In order for a leader to be effective, he or she must measure up to a follower's perception of a leader. Thus, leadership is a perceptional construct attributed to others by those involved in a leadership situation. An effective leader is one who is perceived as effective. Attribution research has attempted to describe individual perceptions about effective leadership, the analytical process of attributing leadership to others, and the processes used by leaders when attributing follower behavior to certain causes.

Much leadership training has been trait-related. For example, many Cooperative Extension Service (CES) programs have focused on self-awareness and assertiveness as well as the skills and knowledge needed for effective communication, decision-making, problem analysis, time management, goal setting, team management, conference management, and change implementation. Knowledge of the social structures and forces affecting public decision making is another important topic in CES leadership programs. These programs demonstrate that CES program planners have long recognized the importance of developing or building up specific traits, skills, knowledge, abilities, and capacity.

Leadership Issue Programs

In contrast to the heavy focus on individual skill development of the community leadership programs, the public policy education and strategic planning processes focus on analyzing the power structure and issues of concern, then providing a significant subject matter content into the decision-making process. The characteristics of the policy education/strategic planning model perhaps can be best described in the framework of the Issue Cycle (Figure 1). The Issue Cycle or Evolutionary Cycle is useful for breaking public policy issues into phases that help identify teaching tasks that are appropriate for educators in helping to resolve issues. These steps which have been summarized in a publication by House and Young include the following stages:

1) *Concern Stage*. A concern develops if something exists in the life of a person which is not consistent with their vision of what should exist.
2) *Involvement Stage*. As a concern is shared with others, its importance may grow or decline, depending upon the involvement of others who share similar concerns.
3) *Issue Stage*. The issue stage merges as more leaders and interested citizens become involved and the discussion of the concern clarifies and defines the issues as the problem emerges.
4) *Alternative Solutions*. Discussion of the problems generates different ideas on

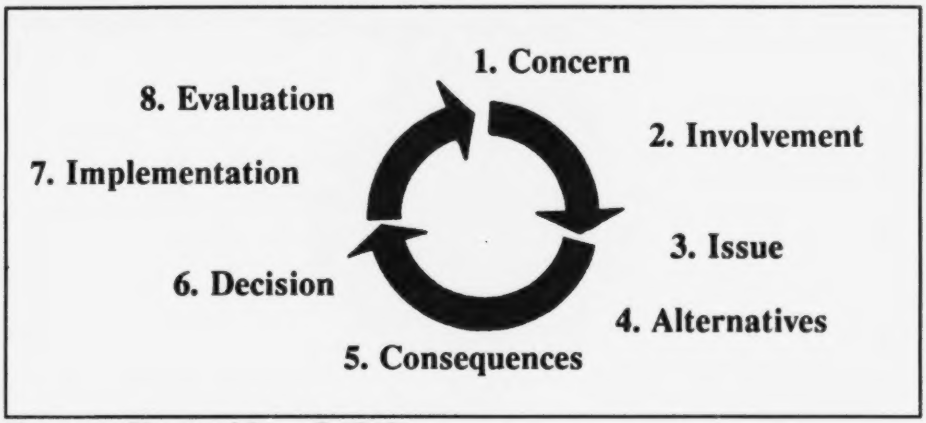

Figure 1. Phases of Issue Evolution

what could be done. Ideas are shaped into the alternative solutions for solving the problem.

5) *Consequences Stage.* Each alternative is analyzed for its probable consequences. Each alternative results in different gainers and losers in terms of who pays and who benefits from the change.
6) *Decision Stage.* At some point, the power structure makes a policy decision. The choice may be to do nothing or to make a change.
7) *Implementation Stage.* After the policy decision is made, implementation of any new policy occurs. This may involve changing administrative rules and institutions to implement the new policy.
8) *Evaluation Stage.* As the policy is being implemented, noticeable impacts may occur. The actual consequences of the policy will be evaluated by the affected public. This evaluation can give rise to new concerns which may or may not start the issue cycle all over again.

The historic origins of policy education date back to an educational workshop in 1951 involving economists and extension workers from land-grant colleges, USDA, Farm Foundation, and outside consultants. This group set forth the public policy education objectives which were to be developed in individuals:

- An active interest in public policy problems.
- An understanding of the facts and principles involved.
- The ability to make judgments on public policy issues on the basis of a critical examination of the evidence and logical thinking.
- A desire and ability to participate effectively in the solution of these problems.

The alternative-consequences approach strives to present the problem, alternative solutions and consequences of each option leaving to the public the job of appraising the policies in light of their own values. In this approach the educator must be perceived as a credible and objective source of both information on the problem and alternative solutions to the problem.

In contrast to policy education, the historical roots of strategic planning are from different origins. Strategic planning has its roots in the long-range planning processes developed by business schools and applied in private business and industry. The concept was to provide a means for systematically evaluating the trends in the developing environment and planning the appropriate positioning of the firm in the external environment.

Such strategic planning processes have recently been borrowed and applied to communities facing structural change. Such approaches are similar to policy education in that latent leadership skills are presumed to exist and the focus of the program is on providing subject matter input into local decision-making processes. This is done by clarifying community strengths, weaknesses, opportunities and threats, then proceeding to clarify goals and to develop strategies, implementation plans, and evaluation criteria.

As a result, the strategic planning process is similar to the policy issue cycle. And the strategic planning and policy education processes are similar in that they are oriented toward issue resolution and decision-making processes rather than the development of personal leadership skills.

This review of two major approaches to leadership and capacity building in rural America suggests that no consensus exists on the most effective approach and that neither has guarantees on the outcome of such efforts. Both approaches to leadership development may have merit.

Critical Issues

How to Build Leadership Decision-Making Capacity

Major demographic changes in recent decades have realigned economic, social and political relationships in rural areas. Attention and research must be refocused to address evolving decision-making capacity of rural leadership under a variety of social and economic conditions. Emerging patterns of rural government are creating demands for technical and institutional innovations. Because of rural change, rural government and organizations face numerous needs related to adult decision-making capacity, needs such as financial capacity expertise, management expertise, consolidation and negotiation skills. Leadership development and policy education programs can play a role in developing this capacity.

Several questions about the appropriate program design remain. *Should leadership skill programs* and *leadership issue programs* be integrated or can they co-exist separately? What is the appropriate amount of resources and effort that should be devoted to each? Are the present private institutions and social organizations sufficient for developing leadership skills or subject matter expertise? How do you know where there is a leadership void or issue subject matter void? How much time should rural leaders devote to leadership roles? What is the skill and knowledge inventory of these leaders? What is the appropriate ratio of leaders per 1,000 population?

In addition, different organizations utilize leadership differently. What is the inventory of these organizations? Do different sized organizations use leadership differently? How do these groups attempt to influence public policy opinion and policymakers? Are there differences between rural and urban organizations?

Determining the Research-Based Information Needs

Along with the need to develop individual and institutional capacity for dealing with complex issues and changes, there is an important role for research-based information, particularly for issue-oriented programs, institutional innovations and success stories from similar communities. Local institutions, including government, have a variety of problems in developing useful and relevant information upon which they can base their decisions and carry on the functions of their organization. They are geographically separated and find it difficult to share information without large or full-time staff, and they seldom have access to a wide variety of appropriate sources. Rural leaders are more likely to find information relevant if they can relate the information to their own environment. The wide range of critical issues and public service needs in rural areas suggests a wide range of issues and technical concerns that require additional and specialized research-based information.

Identifying Issues, Options, and Consequences

Local leaders may not know the full extent of issues they face or the range of options and assistance available and their consequences. Therefore, local leaders may require injection of technical expertise from outside. Budget constraints may also limit the number and types of options they might consider. In recent years, the federal government has been shifting more responsibilities for these issues to state and local government without providing resources. Support of efforts to deal with these issues may also be a low budget priority for federal and state governments.

Federal Role

This paper has attempted to outline two approaches for assisting rural communities to deal effectively with the critical issues they are currently facing. The discussion has suggested a role for both the development of individual skills and capacity, as well as the need for and importance of research-based information for dealing effectively with these issues.

The potential justifications for federal involvement include:

- Inattention to the problems of rural areas would likely hasten the decline of population and economic base and adversely affect other regions of the country. Because the federal government has a stake in the future of rural communities and their residents, they need to support efforts, such as leadership and capacity building programs that attempt to revive and sustain rural areas.

- Equity considerations can justify a federal role. Rural leadership has suffered from a history of inadequate attention to rural education -- a problem that is not likely to be solved without federal assistance.

- State and local budgets are stretched to the limit. Federal assistance is essential for solving complex problems.

The appropriateness of the federal role in developing rural leadership decision-making capacity may depend upon the program design and research needs. Therefore, perhaps it is appropriate to consider the program design options and research needs before determining the appropriate federal role.

Federal Options

- **Status Quo.** Leadership programs are currently stretched to their limits based upon local and state funding. Without increased federal involvement, rural communities are likely to attempt muddling through dealing with issues as they arise without considering broader issues or using a more comprehensive approach. Many communities would not be able to master sufficient leadership resources to deal with critical issues.

- **Privatization.** This alternative would focus on leadership capacity building through either skill development or through subject matter (issue-oriented) development with private resources such as Dale Carnegie courses and management workshops. Existing public leadership programs such as those provided by the Cooperative Extension Service would be eliminated. Reliance on the private sector to provide a public good such as adult education typically results in an underinvestment. Communities with higher levels of income and access to private sources may be more successful at developing leaders and dealing effectively with issues. The more severely affected rural areas will have less access.

- **Multi-State Regional Training Centers.** This alternative would provide additional federal resources to multi-state regional centers for promoting leadership and capacity building. Leadership schools would be conducted on-site and off-site. Subsidies for attendance would be provided based on need. To minimize cost, programs would be coordinated with those offered at existing institutions including universities and quasi-private agencies. Existing facilities could be utilized for many of these leadership activities. An expanded multi-state approach would allow for interstate comparison of ideas and approaches as well as providing a broader perspective of federal issues and constraints. It would take advantage of limited resources and economies of size in training activities.

- **Block Leadership Grants.** Provide additional federal resources to individual states to allow in-state organizations such as the Cooperative Extension Service, community colleges, or quasi-private leadership groups to conduct leadership development or capacity-building programs. This approach would allow more individualized leadership programs adapted to local resources and issues. Federal resources would more likely be directed to organizations that currently work with community leaders. These service providers might be more readily available for implementation of such programs.

- **Technical Assistance.** This alternative would place emphasis on issues-oriented analyses by identifying options for dealing with specific issues and evaluating their consequences. A matching fund block grant would be provided each state (based on rural population) for analyzing issues identified by local government units. Each analysis would be accompanied by an educational program presented in the options-consequences or strategic planning framework.

Priorities

There are no short cuts to developing leadership. In the short run, a combination of technical assistance and skills leadership assistance is probably essential. In the longer-run, attention must be given to providing a strong long-term educational base with economic opportunities that attract talented individuals to live in rural America.

Rural Development Policy Issues in the Northeast

Christine K. Ranney, Cornell University

The purpose of this presentation is two-fold:

- To weave a series of dry statistics into a fabric that will reflect the essential texture and characteristics of the rural Northeast.
- To highlight and prioritize the major rural development issues of the region.

Current Economic Status

The best one-word characterization of the rural Northeast is diversity. The region includes the New England states of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont; the Mid-Atlantic states of New Jersey, New York, and Pennsylvania; and the somewhat Southern states of Delaware, Maryland, and West Virginia. A great deal of diversity exists within the region and between the rural Northeast and other rural areas of the country.

The differences between regions may have arisen, in part, as a result of the resources specific to each region but also as a result of the historical settlement pattern of the nation. The Northeast was settled first and was the first region to industrialize and experience a rural renaissance. Perhaps the region is also the first to grapple fully with the implications of post-industrial society. Whatever the source of the differences, the rural Northeast differs from other regions in some important ways. While the following characterization only highlights those differences, more detailed information is provided in appendix tables.

> **Unlike all other regions of the country, not one nonmetropolitan county in the Northeast can be classified as farming-dependent.**

- The Northeast experienced the "nonmetropolitan turnaround," with nonmetropolitan areas growing faster than metropolitan areas, in the 1960s, one full decade earlier than the rest of the country. This turnaround continued through the 1970s in the Northeast and began to show by the end of the decade. While the Northeast, along with the Midwest, grew more slowly than the South and West from 1980 to 1984, the nonmetropolitan Northeast continued to grow twice as fast as metropolitan areas of the region during that period.

- The traditional connection between ruralness and agriculture does not hold for the Northeast. Unlike all other regions of the country, not one nonmetropolitan county in the Northeast can be classified as farming-dependent. Such counties have 20 percent or more of total labor and proprietor income from farming.

- Manufacturing has been shifting away from the Northeast and portions of the Midwest to the Southeast. In 1979, the Northeast accounted for only 9 percent of total nonmetropolitan counties designated as manufacturing-dependent. Counties are so designated if 30 percent or more of total labor and proprietor income is involved in manufacturing.

- If all production is divided into two categories, goods and services, the rural Northeast had a slightly higher percent of employment in services than rural areas nationwide in 1983. The rural Northeast experienced a 3.1 percent reduction in goods production employment and a 1.0 percent increase in services employment between 1979 and 1983. By 1983, almost 70 percent of rural employment in the region was in services.

- Rural employment in the Northeast declined between 1979 and 1983 but this decline was smaller than nonmetropolitan areas around the country. The decline was 0.4 percent in the Northeast and 0.7 percent for rural areas nationwide.

- The unemployment picture in the rural Northeast was worse than that of the nonmetropolitan United States. The rural Northeast experienced unemployment rates of 8.6 and 9.3 in 1980 and 1984, respectively, compared to nationwide rural unemployment rates of 8.0 and 9.1.

- Unlike other areas of the country, persistent poverty in the Northeast is largely an urban problem, not a rural problem. The only state in the region with persistent poverty nonmetropolitan counties is West Virginia.

- Personal income per capita for rural areas in the Northeast has been consistently higher and has grown faster than the average for rural areas nationwide. Rural Northeast counties had personal income per capita of $7,762 in 1980. This was slightly higher than the comparable figure for the nation. By 1983, the nonmetropolitan Northeast had per capita income of $9,592. In 1983 dollars this represented a 2.2 percent increase for the rural Northeast compared to the national increase in nonmetropolitan per capita income of 0.9 percent.

- Adult residents of the rural Northeast aged 25 and over were somewhat more highly educated than rural residents nationwide in 1980. Approximately 38 percent and 13 percent graduated from high school and from college, respectively, as compared to the corresponding figures for rural areas nationwide of 35 percent and 12 percent. Since then, a migration pattern has developed that has disturbing implications for the Northeast. Net migration rates for 1985-86 show that the region's nonmetropolitan areas exhibited higher rates of loss of adults with bachelor's degrees than any other region.

While the characteristics listed above differentiate the rural Northeast from the rest of nonmetropolitan America, they do not reflect the diversity that exists within the region. Personal income per capita, unemployment rates, and educational attainment levels vary greatly across the region:.

- Rhode Island was the only state in the region in 1983 with a nonmetropolitan per capita personal income that was higher than metropolitan personal income per capita. In that year, nonmetropolitan per capita personal income was almost 102 percent of metropolitan per capita personal income. In contrast, New York's nonmetropolitan per capita income was only 69.5 percent of metropolitan New York per capita income. In the same year, Massachusetts had the highest nonmetropolitan per capita income, $12,841, and West Virginia had the lowest, $8,405.

- The distribution of unemployment across the region also exhibits extreme variation. The states with the highest nonmetropolitan unemployment rates in 1980 and 1984 were Maryland with 10.7 and West Virginia with 16.6, respectively. New Hampshire's nonmetropolitan counties experienced the lowest unemployment rates in both years, 4.7 for 1980 and 3.9 in 1984. The changes in unemployment rates more clearly depict the extreme variation across the region. Connecticut's employment picture improved the most with a 31 percent decrease in the unemployment rate between 1980 and 1984. West Virginia's employment picture worsened the most. It experienced an increase in the unemployment rate of over 67 percent which may be explained by the depression in mining and oil industries.

- Nonmetropolitan educational attainment of less than high school ranged from 18 percent in Massachusetts to 48 percent in West Virginia in 1980. In the latter state and in Pennsylvania, only nine percent of the adult population aged 25 and older living in nonmetropolitan areas had attained a bachelor's degree or more. In fact, in those two states only 18 percent had attended or completed any college courses by 1980.

The diversity within the rural Northeast and between rural areas of the region and other regions suggests that rural development issues vary dramatically from place to place. Such variation implies that nationwide or even statewide rural development policies cannot address all the problems. This does not mean that local governments must be solely responsible for rural development. The various levels of government -- federal, state, and local -- have differing responsibilities and also exhibit different comparative advantages in raising revenues, determining the preferences of constituents, designing policies and implementing programs. Regardless of the region, the strategy for addressing a particular rural development issue must take into account such comparative advantage differences to be effective. In addition, beyond possible public sector policy initiatives, the option of allowing the private sector to operate unfettered must always be considered. Thus, questions of which sector -- public or private -- and which level of government should assume responsibility are inextricably involved in addressing any given rural development issue. These questions are addressed here as the primary rural development issues in the Northeast.

Building capacity to cope with change is the overriding rural development issue for the Northeast.

Strategic Issues

Capacity Building

Building capacity to cope with change is the overriding rural development issue for the Northeast. As rural-urban-national-international linkages become more complex, changes in external factors have major effects upon rural areas in the Northeast. Rural areas of the region were particularly hard hit by the recession. Indeed some areas have yet to recover. Structural change from manufacturing to services is ongoing and affecting the viability of the rural areas of the Northeast. Population shifts away from the region along with continuing trends toward population deconcentration and metropolitanization within the region generate an absolute population decline in some of the region's rural areas and rapid growth in others. Both cause stress, but dealing with decline and growth require different coping mechanisms.

Four capacity-building strategies can be identified for enhancing the ability of the rural Northeast to cope with change:

- Building human capital.
- Broadening the base of rural economic activity.
- Maintaining and improving the infrastructure in the rural Northeast.
- Enhancing the information base and management skills of local government officials.

While four separate strategies have been highlighted, there are interconnections among them. The task of promoting rural economic development becomes more complex as the factors that affect development become more complex.

Building Human Capital and Diversification

Providing for employment growth and stability in the rural Northeast will require substantial strategic investment in human capital. The complementarity between human capital building and diversifying the rural economic base has been noted by others as being important for economic development in advanced economies. It is no surprise, then, that New England has the highest level of education and has shifted most toward service sector and high-technology production, while West Virginia, with a primarily resource-based economy, has the lowest level of educational attainment. The Mid-Atlantic states fall somewhere in the middle and are moving slowly toward providing alternatives to traditional manufacturing. The issue for future development then becomes one of ensuring that the population of the rural Northeast has appropriate education, training, and retraining opportunities to meet the job requirements of a post-industrial economy. The responsibility for ensuring general educational achievement, given the mobility of the population and the public-good nature of education, should be shared by all levels of government. Manpower programs for training and retraining employees may need to be handled by states and local governments in partnership with firms and with an important emphasis on efforts to diversify the economic activities of rural areas.

Maintaining Infrastructure

There is increasing evidence that maintaining infrastructure is an important determinant of economic growth. A recent study by David Aschauer at the Federal Reserve Bank of Chicago showed a very strong link between productivity growth and public capital investment. Japan invested 5.1 percent of output annually in infrastructure and experienced 3.3 percent annual growth in productivity between 1973-85 while the United States invested 0.3 percent per year and experienced productivity growth of 0.6 percent per year over the same period. The arguments for a well-maintained infrastructure are that it contributes to expanding the economy and to improving the standard of living.

For the rural Northeast, keeping up with infrastructure maintenance has been difficult. A recent survey of the availability and condition of public facilities in rural areas of the country showed that the Northeast and North Central regions are most likely to be lacking public water supply and waste water treatment facilities. Where they do exist, they are more likely to be in faulty condition. Furthermore, almost all rural communities surveyed in the Northeast are responsible for maintaining local roads and bridges. Narrow local roads, roads with restricted load limits, and structural and obsolete bridges are more likely to exist in the Northeast. This depreciation of infrastructure in the rural Northeast could well threaten economic development. At the very least, maintenance of the current stock of public infrastructure is required; but more importantly for the future, investments in new infrastructure related to information technology are absolutely essential to ensure that the rural Northeast is not left behind as the information era takes hold. Clearly, a cooperative effort at all levels of government will be required to tackle the infrastructure needs of the rural Northeast.

Investments in new infrastructure related to information technology are absolutely essential to ensure that the rural Northeast is not left behind as the information era takes hold.

Improving Information and Decision Capacity

Another capacity-building strategy is that of improving the information base and management skills of local decisionmakers. This is especially important for the rural Northeast because the region has a wealth of local governments compared to other regions of the country. Furthermore, as the federal government retrenches, responsibility for many public sector activities shifts to the state and local levels. Despite this shift, the federal government has the comparative advantage in information gathering and dissemination and should continue to collect information on rural areas and on potential workable development efforts and to provide appropriate technical assistance. Designing local, situation-specific, development strategies often falls to local officials who understand local needs but may not have the time or expertise to tackle the problems appropriately. Investing in the management skills of local government officials is a human capital investment strategy that is absolutely essential for effective rural development in the Northeast.

Need for Cooperation

There is a need for expanded cooperation between all levels of government and the private sector to generate the desired revitalization of rural areas in the Northeast. Pragmatically, such cooperation may never occur. There is a particular danger that the federal government may view rural development as a local or state issue. Therefore, the macroeconomy and federal policy are critically important to the well-being of rural residents in the Northeast. Keeping the macroeconomy on an even keel is crucial for generating a stable environment wherein necessary structural change can occur smoothly and without major disruption. The Northeast has been moving toward a post-industrial economy for some time. The recession drastically altered the requisite stable environment and generated severe problems for the Northeast. The federal safety-net for low-income rural households and elderly residents needs to be maintained and perhaps improved so that such households can adequately weather economic downturns and fundamental structural change. Transfer payments, predominantly retirement benefits set by federal policy, accounted for 19.5 percent of nonmetropolitan income in the Northeast compared to 18.5 percent for nonmetropolitan and 14.0 percent for metropolitan areas nationwide. The fact that 40 percent of children in the United States live in poverty is a frightening prospect considering this generation of children is the human capital base of the future. Investment in human capital, public infrastructure, information collection and dissemination, technical assistance, and the skills of our rural local government officials are appropriate activities for the national government in our federal system. Such investments, in partnership with state and local efforts, should enhance the vitality of the rural Northeast and the nation. The needs are real and the tasks are complex. Perhaps our role at this conference is to harness the tools and commitment to meet those needs head on.

The fact that 40 percent of children in the United States live in poverty is a frightening prospect considering this generation of children is the human capital base of the future.

Table 1. Unemployment Rates, 1980 and 1984.

	1980	1984	Percent Change 1980-1984
U.S. Nonmetro	8.0	9.1	13.9
U.S. Metro	6.9	7.1	2.8
NE Nonmetro	8.6	9.3	7.6
NE Metro	6.9	6.6	-4.5
State Nonmetro Areas			
Connecticut	7.7	5.7	-25.9
Delaware	8.3	6.1	-26.1
Maine	8.2	6.9	-16.3
Maryland	10.7	7.9	-26.0
Massachusetts	6.8	5.6	-17.2
New Hampshire	4.7	3.9	-18.0
New York	8.4	8.1	-3.5
Pennsylvania	9.8	11.3	15.4
Rhode Island	5.9	4.1	-31.3
Vermont	6.6	5.7	-13.0
West Virginia	9.9	16.6	67.3

Note: New Jersey is excluded because it has only metropolitan areas.

Source: U.S. Bureau of Labor Statistics.

Table 2. Educational Attainment of Adult Population Aged 25 or More.

	Education			
	Did Not Graduate From High School	Graduated From High School	Some College	Graduated From College or More
	Percent			
U.S. Nonmetro	41	35	13	11
U.S. Metro	31	35	17	17
NE Nonmetro	37	38	12	13
NE Metro	32	36	14	18
State Nonmetro Areas				
Connecticut	34	35	15	16
Delaware	39	37	13	11
Maine	32	40	14	13
Maryland	45	32	11	12
Massachusetts	18	39	21	22
New Hampshire	29	37	16	18
New York	34	37	15	14
Pennsylvania	38	44	9	9
Rhode Island	28	34	15	23
Vermont	31	37	15	17
West Virginia	48	34	9	9

Note: New Jersey is excluded because it has only metropolitan areas.

Source: 1980 Census.

Table 3. Personal Income Per Capita, 1980 and 1983.

	1980	1983	Percent Change 1980-1983*
U.S. Nonmetro	7536.61	9196.50	0.9
U.S. Metro	10108.60	12461.80	2.0
NE Nonmetro	7762.35	9592.28	2.2
NE Metro	10332.90	13147.30	5.2
State Nonmetro Areas			
Connecticut	10012.80	12671.30	4.7
Delaware	8062.49	10582.10	8.6
Maine	7331.83	9268.03	4.5
Maryland	7761.63	9823.11	4.7
Massachusetts	9826.33	12840.80	8.1
New Hampshire	8730.18	11250.10	6.6
New York	7513.94	9312.66	2.5
Pennsylvania	7774.99	9341.36	-0.6
Rhode Island	8975.73	11902.70	9.7
Vermont	7746.36	9589.17	2.4
West Virginia	7069.16	8405.12	-1.7

* Constant 1983 dollars.

Note: New Jersey is excluded because it has only metropolitan areas.

Source: Bureau of Economics Analysis.

Table 4. Nonmetropolitan as a Percent of Metropolitan Per Capita Income.

	1980	1983
U.S.	75.6	73.8
NE	75.1	73.0
Connecticut	85.6	83.7
Delaware	74.1	77.6
Maine	87.8	86.2
Maryland	72.5	73.9
Massachusetts	97.2	96.7
New Hampshire	91.5	88.8
New York	71.3	69.5
Pennsylvania	80.7	78.8
Rhode Island	97.3	101.9
Vermont	89.1	85.0
West Virginia	79.3	80.2

Source: Bureau of Economic Analysis.

Table 5. Level and Importance of Unearned Income, 1983.

		Nonmetro	
	Metro U.S.	U.S.	Northeast
		Dollars per capita	
ITEM			
Total Personal Income	12,466	9,195	9,810
Unearned Income	3,985	3,580	3,770
Transfer Payments	1,739	1,703	1,910
Investment Income	2,246	1,877	1,860
	Percentage of total personal income		
Unearned Income	32.0	38.9	38.4
Transfer Payments	14.0	18.5	19.5
Investment Income	18.0	20.4	18.9
	Percentage of total transfer payments		
COMPONENT			
General retirement	55.0	58.5	57.8
Specific retirement	13.4	10.9	13.0
Unemployment insurance	6.4	6.9	7.5
Income maintenance	9.9	9.0	7.8
Veterans' benefits	8.1	8.1	6.6
Business transfers	3.3	2.9	2.8
Transfers to nonprofits	2.5	2.3	3.1
Miscellaneous other	1.4	1.4	1.4

Source: Susan E. Bentley, *Transfer Payments and Investment Income in the Nonmetro United States*. Rural Development Research Report No. 71. Agricultural and Rural Economy Division, Economic Research Service, U.S. Department of Agriculture. Washington, D.C. June 1988.

Policies for Managing Rural Change

Rick Feldman, University of Massachusetts

Numerous actions and plans emerging from federal and state government to assist rural America have indeed been productive, but recent events reveal how little has actually been accomplished. The fragmentation of rural conditions into many separate, specific problems has obscured the underlying situation, and this has kept government from developing effective action.

Rural communities have become especially vulnerable to the amounts, types, and levels of change which have begun to confront America in the last two decades. This vulnerability is historically rooted in the following attributes and attitudes:

- Rural areas have specialized economies, with one or two dominant industries.
- Communities have long-established formal and informal decision-making institutions which help perpetuate a particular lifestyle as well as particular approaches to problems.
- Both metropolitan and non-metropolitan areas exhibit a belief that rural communities are separate and at times **disconnected** from state, national, and international concerns and events.

These attributes and attitudes may have given rural communities a sense of stability, but they also set limits for perceiving and handling change.

A lack of adequate resources and institutions for addressing change has increased the vulnerability of rural areas and made them economically, structurally, and socially fragile in the face of even distant events. This situation has become evident as rural areas and federal and state policy confront the uncertainty caused by continuous, rapid, and deep change.

History

A Congressional report notes that America has never had a comprehensive rural policy, but rural people have been and continue to be strongly affected by both government action and inaction. Domestic policy affecting rural areas has been described, for example, as something that lacks coherence and is often contradictory within the various elements of the policy. On the larger scale, national policy regarding change has been even more severely criticized because of its failure to embrace change.

Domestic policy affecting rural areas has been described, for example, as something that lacks coherence and is often contradictory within the various elements of the policy.

The recent history of federal rural development policy began with the Agriculture Act of 1970, in which Congress sought to create a balance between urban and rural America. The Rural Development Act of 1972 continued this theme and required the Secretary of Agriculture to establish national rural development goals and to report on progress to Congress. The Rural Development Act of 1980 reiterated these requirements, again locating the federal leadership role in the Department of Agriculture. Both of these acts were designed to contribute to the development of increased federal agency cooperation and networking. The Act of 1980 established the Undersecretary of Agriculture for Small Community and Rural Development position, without specified duties, but with the clear implication that rural development would receive high-level executive branch attention.

In 1981, the Office of Rural Development Policy was created within the USDA to provide coordination services for a rural development policy and to work closely with the new Undersecretary. This Office was dismantled in 1986. A National Advisory Council on Rural Development was also established to bring rural issues to the direct attention of the Cabinet. An April 1983 report, *Better Country: A Strategy for Rural Development in the 1980's*, was released by USDA Secretary John Block, followed by a second progress report to the nation in April 1984, *Rural Communities and the American Farm.* The most recent report (April 1988) was titled *On the Move: A Report on Rural Economic Development in America.* None of these reports had a noticeable impact on rural development policy -- or the lack thereof.

The most obvious criticisms of past rural development initiatives include:

- There has been a direct and overt linkage of rural development policy to agricultural, food, forestry and mining policy. While this linkage made a great deal of sense when rural regions were primarily engaged in agriculture, forestry, and mining, this connection is no longer helpful, particularly in the Northeast. Recent research indicates that not one county in the 13 Northeastern states, from Maine to West Virginia, is agriculture-dependent in its economy.

- There has been a relative lack of explicit attention to human resource development. Only Cooperative Extension programs are explicitly targeted toward rural leadership development and human resource education. Some Department of Education and Department of Labor programs benefit rural communities but are seldom explicitly targeted toward the rural constituency. The major focus of human resource development at the federal level is on vocational training, with leadership coming from the Department of Labor through the Job Training Partnership Act (JTPA). The fact that the Job Training Program funding is linked to unemployment statistics may be a federal constraint on implementing effective rural job retraining programs. JTPA necessarily targets high-unemployment areas but does not address an often more critical local rural problem of underemployment. Underemployment occurs when the human resource is not being developed for new and enhanced capabilities and people are not working to full capacity. In New England many once-skilled rural workers are now working at low-skilled service jobs.

The fact that the Job Training Program funding is linked to unemployment statistics may be a federal constraint on implementing effective rural job retraining programs.

- A number of the rural development programs are simply redirected urban initiatives meant to distribute some of the targeted public funds more equitably. The JTPA and small business (SBA) programs are classic examples.

- The perceived federal role is to provide many small actions toward economic recovery, but not a major vision or goal-statement that links national domestic policy to a rural agenda. The larger issues of uncertainty, rapid and profound change, and diversity of conditions -- all resulting in vulnerability to a reconfigured national and international economy -- are not addressed. The result has been an inability to manage change.

- The need for capacity building has not been addressed. This does not do justice to the rural-urban distinction, nor to the diversity of rural areas. The seemingly successful rural communities of New England, for example, have experienced enormous growth and apparent economic recovery. Yet, there is substantial social and political fragmentation, an inability to develop local revenues for needed services such as education, health, and transportation, and a loss of control. These communities are experiencing the consequences of that which happens to them in a situation of uncontrolled development. Their management of this situation is crisis oriented and confused.

- The classic criticism of federal policy considers the Congressional process in which issues are divided into smaller segments corresponding to Congressional committees and subcommittees. As segments, these sub-issues take on a life of their own, divorced from the larger policy and issue context, allowing for special interests and agencies to become involved in formulating details. There may be no one, or very few people, involved at this point having overall knowledge or interest in anything as broad as rural America. Once the segments are reassembled, the policy statement contains a vast array of topics, projects, jurisdictions, regulations, and distributions which no longer approximate a coherent national policy.

Current Status of Problem and Key Issues

Federal rural policy is, in many ways, an easy target. It requires the cooperation of a mix of federal agencies and units which may have little direct connection to the issues but may play critical roles in eventual implementation. This means that regardless of where the leadership is located, coordination and cooperation will be difficult. Furthermore, broad national policy can best address broad national goals. Rural goals often are linked to local interests and needs that are extremely diverse. What is rural in New England is not necessarily rural in Pennsylvania or Maryland. Also, rural development in the Northeast has become a somewhat ambivalent desire, in that the public interests to protect the environment and the sense of community have become at least as strong as the interests to promote further development.

In this urban-oriented political environment, substantial retailoring of policies and programs is required before they can actually fit rural communities.

The turn has been toward an expanding state role in rural development policy. However, the same problem that has faced federal-level action also faces state government policy and program formulation. States may not be any more sensitive to the diversity encompassed in rural development than the federal government has been. The Northeastern states have large dominating urban areas that propel most policy decisions. In this urban-oriented political environment, substantial retailoring of policies and programs is required before they can actually fit rural communities. This retailoring is met by an equally strong force seeking to make nonmetropolitan areas more like metropolitan areas. In short, the recent history of state government policy and program is one which shows an effort to reduce the rural diversity and variability.

Diversity

Rural areas are quite varied in population size, mix, and culture; in government structure and process; and in access to different types of resources. The range of "rural" is almost as great as the urban-rural spectrum. This characterization clearly fits the Northeast, where in New England "rural" may exist more as a value system and life style, while in Maine, New York, and Pennsylvania, there are still nearly isolated small communities. Even within single states, rurality is diverse. Massachusetts has two counties designated as nonmetropolitan, each having rural communities and rural subregions. Yet these two counties, at opposite ends of the state, have little in common other than a similar list of problems. Proximity to metropolitan areas plays a significant role in the growth and decline cycles of a rural area. Therefore, differences should be expected among communities located in western and eastern Pennsylvania, northern and southern New Hampshire, upstate and down-state New York, and Eastern shore and inland Maryland. Whereas southern New England suffers from enormous growth and unplanned development pressures brought about by major population shifts, many rural areas of West Virginia, Pennsylvania, Maine, and New York suffer from population, economic, and social declines.

This kind of diversity is masked by a sense of rural types and rural conditions that are not completely accurate. Too much inappropriate development is as destructive as too little development in terms of the capacity of a community or region to manage change and variability. The danger is that those areas characterized as hard-hit depressed regions will be compelled to mimic those areas experiencing rapid growth and development.

Diversity presents problems for planners and decision makers, particularly when policy is being implemented. There is a desire on the part of policymakers to do that which is easiest to develop and monitor: repeat and replicate. Successful development is frequently thought to be the duplication of some other area's successful model. To make matters worse for federal and state policymakers, rural advocates tend to promote diversity, sensing that diversity is a strength which provides varied and multiple opportunities for success and development.

Unfortunately, diversity is often critically referred to as "various special interests," discounting situations, needs, and concerns that each have legitimate but not necessarily similar claims. Once reduced to being competing demands, the diversity advocates are played off against each other until some homogenous, broad-stroke generalized policy is created. This is then presented to the public as a policy having something for everyone, when more likely it has little or nothing for anyone.

Economic and Social Change

Many very obvious economic and social changes have occurred. For example, there has been a decline of the traditional rural economic base, which entails a diminishing role for agriculture, forestry, mining, and now manufacturing. Demographic shifts in numbers, race, and age are evident in many rural areas.

Changes that are the most subtle and difficult to measure also tend to be the most significant. In many ways they propel the changes we can measure and notice more easily. For example, a "new rurality" at the leading edge of industrial and technological change, and a sense of rural areas moving from the forgotten, isolated backwaters of America to the mainstream of economic and social life are now considered possibilities, in stark contrast to the realities of isolated, declining rural economies. Yet, rural communities and regions are closely connected to the world in both direct and complex ways previously unknown.

What one community does to meet its water needs often has immediate consequences for other communities and even entire regions. Each issue is closely connected to others. Actions addressing water supply and quality will greatly influence industrial and commercial development and job creation and local revenues.

International commerce is perhaps the most frequently discussed connection, but it is by no means the only national and global linkage between rural America and the rest of the world. Technology, education, population mobility, communications, and commercial exchange are the major influencing factors bringing rural communities into active national and international roles.

Furthermore, regionally linked demands affect individual community policies. For example, as water resource management has become a critically important concern, we have had to acknowledge that what one community does to meet its water needs often has immediate consequences for other communities and even entire regions. Similar interactions exist for commercial plans, land use, housing development, real estate speculation, solid waste management, and education.

Each issue is then closely connected to others. Actions addressing water supply and quality will greatly influence the range of possibilities in industrial and commercial development and therefore clearly affect job creation and local revenues. Similarly, the rapid growth of professional local government in the Northeast has influenced the very nature of rural communities as well as changed the employment structure.

The social changes reach deep into basic rural institutions and influence their behavior. Many of the most profound changes in rural America have been and will continue to be social or non-economic. The social, community development aspect gains in urgency when there is consideration of the question of who gets left behind by change and change-management policy. Those who have been long-time residents in rural areas (Native Americans, Blacks, Hispanics, the poor, the low and semi-skilled laborers, the undereducated, women and children) include thousands of people who suffer the brunt of almost any economic and social change.

Change in rural America has been very large, interconnected, complex, deep, and broad in its scale, having national and international dimensions. This analysis is particularly pertinent to the Northeast. In recent decades, the Northeast has experienced the most varied, frequent, and intense changes of any region of the nation and is the first truly "post-agricultural" region in the country, and it is rapidly becoming a post-manufacturing region as well. Urbanization and urban spillover settlement patterns now prevalent in many metropolitan areas began to dominate the region over thirty years ago, significantly altering the use of land as well as the decision structures and institutions which had been addressing land-use. Communities in the Northeast are no longer attached to single geographic or political boundaries. Communities can now be comprised of individuals who share interests, professions, commerce, and social networks, yet live in many towns very distant from each other. These people may spend little time involved in or concerned about local issues, and they may have little or no connection to traditions of rural institutions and structures.

Justifying Federal Role

Since communities and multi-town regions currently lack needed resources and capacities, rural areas must turn to other levels of government for assistance. This requires some caution, since increasing the dependency of rural communities on federal resources also will reduce local and state decision-making roles. Nonetheless, there is reason to consider federal government participation.

The ability of the federal government to collect and distribute public funds and to create incentives and disincentives affects every community, city, and town. Ignoring this will only continue the pretense that rural areas can be safely isolated from national and world events.

- The federal government has the capacity to direct considerable resources into such beneficial programs as research into new technologies; research into the political, social, and economic institutions of communities; extension education and assistance programs; and technical support for implementing new projects.
- National goals and standards can be articulated only at the federal government level; these goals and standards might be the better half of policy, for they establish the guidelines for local and regional action and they could put the federal government in the role of creating opportunities rather than merely administering large-scale, blanket programs.
- State and local jurisdictions have difficulty addressing multi-state and regional strategies. Environmental protection and economic growth are not limited to political boundaries.

- Managing change locally is all but impossible. A growth-limiting plan in one community will force movement to another; a policy that adversely affects a local industry will cause unemployment in neighboring towns.
- The capacity to confront and address change requires broad integration, vision, national resolve, and the tremendous collective resource base of a federal government.

Again, caution should be sounded. Although there is justification for a federal role, there are problems with federal government approaches. The public tends to look to the federal level for large-scale distributive policy and to measure that policy in terms of who benefits and who pays. The danger in this is two-fold:

(1) The emphasis on policy as a *goal* and *standard-setting* tool is quickly obscured by fiscal analysis and procedure. The discussion of *vision* gets reduced to a discussion of taxes and expenditures.

(2) The traditional "way out" is to build policies benefiting as many interests as possible (including those that may not need assistance) in order to gain broad public support. The unstated hope is that enough interests will be satisfied that at least some targeting can occur.

Policy Alternatives and Consequences

A managing-change policy would be one that develops capacity for achieving various possibilities. Change and uncertainty are persistent problems if vulnerability and fragility remain. Two basic courses of action exist to confront these problems: isolate and protect the rural community or gain capacity.

Rural America needs the capacity to be flexible, reasonable, strategic, inventive, and quick. Others have called for empowerment policies, with emphases on education, entrepreneurship, and anticipating change. The structure and system of empowerment, capacity, flexibility, and anticipatory policy formulation need to be invented as part of an overall strategy.

> **Education and training require federal support because there is inadequate incentive for local and state support when people with new skills are more likely to move away once they can compete in more lucrative locations. There is, however, a national return on this investment in education.**

Among the elements of the Rural Policy Act of 1972 was the creation of state-level rural development councils to bring local, state, and federal agencies into a forum of exchange and cooperation. Many councils came into being, the more durable and successful ones including local and state nongovernment organizations, as well as many institutions and interested groups. At its peak, the Massachusetts Rural Development Committee included over 300 groups, associations, organizations, and agencies, as well as a number of independent, concerned, individuals. The model here is one worth considering: it can allow for flexible leadership, multilevel and multi-agency cooperation, targeting of resources, priority setting at the local level, and sharing of information and expertise. This rural development council model also makes evident the interconnections of issues, as they are discussed and considered in public forums.

The particular role of the federal government here is to empower this kind of cooperation and coordination with needed resources: staff support, information access and distribution, research support, and adequate support for those federal agency partners whose role it is to inform, educate, and involve the public. The state role is to commit agencies to cooperation and interaction and to provide the necessary resource supports to public institutions that in turn provide information, education, and technical assistance. States should also set this management of change issue high on their policy agendas, making it clear that overall state and community capacity building is the priority of such a public-private partnership.

A commitment to public participation as part of any movement toward full-capacity building is essential, but it must be more than trivial and superficial. Public participation is currently proclaimed as a priority, but in fact the role reserved or remaining for the citizenry is increasingly minuscule and symbolic. Effective public participation requires high-level information flow, engagement of people in profound decisions, and ongoing education.

Specific policy alternatives received a careful treatment by Ken Deavers in a July 1987 publication. A summary of those alternatives most relevant to this discussion of change, with some additional thoughts, is useful here:

- **Selective assistance to regions and industries** (a *strategic* assistance and investment, along with facilitating transfer of resources to strong industries and competitive locations) should be an element of an overall development approach in order to ensure against the entrapment of resources in declining situations. Selecting these industries and regions will be difficult, however; it would be very easy to miss good opportunities as well as to harm communities. Some risk-taking is necessary and some support for stable, less vigorous communities will be required. Successful approaches now in use include target-setting through competitive grants and incentive-aid programs, as well as through community development programs at major universities where state and local participation is possible. The Economic Development Administration's University Centers for Economic Development is one example of combining various targeting features.

- **Facilitation of productive restructuring** is preferred over protection of industries needing to modernize; communities may also need facilitation of productive change rather than protection of constraining images. This productive change and restructuring is dependent upon a sophisticated and assisted public articulation of clear, change-oriented goals: one sure way to ensure the success of this approach is to support new skills and knowledge development, continuing and extension education, and sound programs for the human resource.

- **Education and training** require federal support because local and state support cannot be recaptured locally. That is, there is inadequate incentive for local and state support when people with new skills are more likely to move away once they can compete in more lucrative locations. There is, however, a national return on this investment in education.

- **Regional multi-town, township, or county planning and development assistance** could be strengthened. Such federal support would allow for the realization of economies of scale which seem to exist for some services and some economic development pursuits. For example, medical services are increasingly cost-efficient when provided over a multi-town area having sufficient population. It is less costly for the federal and state governments to support new roads and transportation services than it is to subsidize town-by-town medical service facilities. An additional benefit is the improved infrastructure which is supportive of commerce and industry.

- **Incentives and support for multi-state planning** through targeted strategic planning grants, technical assistance, and research support are necessary. An alternative is to establish multi-state authorities with specified powers, but this creates legal and oversight jurisdictional problems. Creating the opportunity and rewards for multi-state development is worth encouraging; authorization for regional quasi-government is problematic. Multi-state cooperation would be greatly enhanced were the public land-grant university network a *system* rather than a collection of not-always-cooperative institutions. Shared research, extension

> education, technical assistance and pilot program development drawing upon a region's public universities would enormously improve the capacity of those institutions to provide substantial development benefits to rural areas. Federal assistance would be useful here in providing some incentives for cooperative ventures and regional programming. Secure funding for the regional rural development centers, for example, is a rather low-cost means for accomplishing high-return regional impacts.

The approach suggested here calls for an intergovernmental cooperation typically lacking from policy and program. We can consider, possibly, something that is non-ideological: locate the resources and leadership where they can be most effective in each instance.

It also has been concluded that sound federal and state policy options cannot be formulated or implemented through the current configuration of agencies, institutions, and processes because they do not adequately address the constant change, uncertainty, diversity, and capacity building needs of the Northeast.

Keynote Address: Southern Region

The Honorable Guy Hunt
Governor of Alabama

When we talk about the revitalization of rural America, we should try to keep several points in mind. One of those points is to remember the vision that we have for rural America. Sometimes when we start talking about the development of an area, we think of making the quiet little countryside into a large metropolitan area with factories and smokestacks. What we have failed to realize is that we have to find out what every area really wants and how they want to change. This is one of the reasons why we have established a task force to go into the rural areas of the state, starting with those counties that have the largest unemployment rate. We initially picked counties that had approximately 20 percent unemployment rates and then a 15 percent unemployment rate. Instead of going into those counties and saying, "This is what we are going to do," we called upon the different groups -- from the "Mom-n-Pop" groceries to the largest corporations -- to see what their understanding was of the needs in that particular area. This probably created the most excitement of anything we have done in state government because we let the people know that we are interested in rural Alabama, especially those areas that have a particular problem with unemployment. Suddenly they saw that someone in government was willing to listen. It is said that the three most commonly told lies in this country are (1) "the check is in the mail," (2) "of course I will respect you just as much in the morning," and (3) "I'm from the government, and I'm here to help you." What we have done is let people know that we are indeed from the government and we want to make sure they know about federal and state government initiatives that can be of help to them. In one particular county, it was not very many months until I was announcing the expansion of industries in that county as a result of our going in and saying, "We are interested and here is what we can do to help."

Think of education when you think of rural development. It is the only thing that will bring us from one generation of poverty to the next generation of opportunity.

Fortunately for Alabama, our unemployment rate has been dropping at twice the rate of the national average. That is particularly good since we usually ranked third behind West Virginia and Michigan during the very trying recession years. Our unemployment is around 7 percent now, which is still too much but better than the 12 to 13 percent that it stayed for so many months. In fact, I understand there are only three states that have unemployment rates higher this year than last year -- Massachusetts, Arkansas, and Georgia. So I think it shows a continual growth. I am most impressed and feel the best when I go into those counties that in January of 1987 -- when I took office as governor -- had unemployment rates above 20 percent. Winston County was at 24 percent; Choctaw County was above 20 percent. I had the opportunity of visiting Choctaw County just a few weeks ago. They are going to have several new industries, and it was exciting to hear them stand up and talk about the fact that the unemployment rate is down to 8.5 and 9 percent.

We now have over 60 percent of our state covered with forest and timberland. Twenty percent of that forest land is owned by large timber companies and 80 percent is owned by small landowners. Our forest land provides a great potential for Alabama, just as it does for many of you in your states. Last year when President Reagan visited the state and we were flying via helicopter from Montgomery to Tuskegee, Reagan began to talk about the richness of this country and this great and renewable resource, not only as far as forest products are concerned but also as far as recreation is concerned. As we flew over a subdivision surrounded by forest land, he said, "Now imagine, every person in that subdivision has the opportunity to get out in those woods and enjoy the beauties of nature. You can't do that in Washington D.C." That one observation let us know that we really do not want to change rural America into a Washington, D.C.; a Boston; a Dallas; or even a Birmingham. Statistics show that a lot of farmers today have a job off the farm and outside of farming to be able to farm on a small-time basis. This is true in a lot of the South. What we need to do is not only encourage those industries that an area wants but also tie them in with the farming activities of that community.

In the 18 months that I have been governor, we have announced a $500 million expansion of the Mead Corporation in eastern Alabama, the largest expansion that company has had in its history. We also just announced a new newsprint company in Monroe County, and Champion International will soon be announcing a large $500 million expansion. Most if not all of the major forest product companies own a business in Alabama, so the forest industry is fairly well taken care. Out of the port of Mobil, our largest increase in shipping has been in the woods products line, not only lumber but also wood chips. The forest industry has really grown to become vital to our state.

Out of 15 industrialized nations, ninth graders in the United States rank approximately ninth in math and sciences, eleventh graders rank fourteenth, and twelfth graders rank fifteenth. It is not the kids; it is the system that we have to change.

For people like me that were reared on the farm, there is something about the spring of the year when you begin to turn the soil that draws you to the land. It's a love affair, so to speak. Many of our people have a love affair with the family farm in this state, and I think the reason our work is so vital and the reason we need to do everything we can to revitalize rural America is because those people who love the farm are the people who are feeding this country. We cannot imagine the kind of situation that would exist if we did not have all of these wonderful people involved on the family farm in the rural areas of our state. As I said, many of them are working at other things. We must help them pull it all together by finding out what they want, working with them, letting them know the resources we have, and letting them know of our concern.

There is one thing I would like to close on that I think is vital to all of us in the Southeast. Education has got to be the number one priority in this country. We are going to do everything we can to make sure that Alabama's education system is such that we are preparing our kids to enter into the 21st century and work at those jobs that are going to be created by the high technology age of the future. When a lot of our plants go into the rural areas of the state, they talk about the work ethic, people who are willing to work, and people who are willing to be trained to work at plants close to the farm. We are going to continue to push the education system. The chairman of the board of the Xerox Corporation was in Alabama recently and made a point that should cause us concern. Out of 15 industrialized nations, ninth graders in the United States rank approximately ninth in math and sciences, eleventh graders rank fourteenth, and twelfth graders rank fifteenth. It is not the kids; it is the system that we have to change.

I was visiting in my office the other day with a prominent businessman who told me that the state that gets a handle on education and brings its population to an educational level close to the high school graduating level will have business and industry knocking at its door. They will outstrip other states. If there is anything that I can leave you with, it is to urge you to think of education when you think of rural development. It is the only thing that will bring us from one generation of poverty to the next generation of opportunity. It is the force that will help us revitalize rural America.

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Rural Development Policy Issues in the South

James Hite, Clemson University

In discussing issues in Southern rural development, two approaches could be taken:

- A list of the topical issues that seems most frequently to cause some disagreement or pose some problem to those most involved in Southern rural development could be compiled.
- Such a list could be organized and edited but also include a commentary on why they are important.

This paper utilizes the latter approach.

That choice was made after some thought and some discussion. It was a necessary choice because a mere listing of issues, all of which could be taken as more or less of equal significance, could be misleading and confusing. Either strategic issues (those associated with a broad policy approach) or tactical issues (those associated with how programs are implemented) can be discussed. Until there is a consensus on overall strategy, it is like a bunch of carpenters building a house without any blueprint, each simply using whatever board or brick is within reach. Therefore, this discussion of issues is organized hierarchically, with the emphasis upon strategic choices.

It is expected that the author's choice and/or interpretation of these issues will be challenged. The perspective presented is that of an academic and an agricultural economist, both of which in many ways may limit its scope. Rural public officials and business people have a different perspective, although it, too, may be limited. The same is also true of the perspectives of persons whose professional training and experience is in other disciplines. The perspective of the issues presented here is offered as a starting place for discussion, perhaps even a provocation of discussion. That discussion may overcome the limited perspectives of personal experiences.

Strategic Issues

Capitalism

Building up human capital is a long-term proposition, and there is no guarantee that job-creation in a particular rural community will progress at the rate needed to nourish the building of human capital. Even if the human capital investment strategy works, it will require a generation or more of effort. In the meantime, there exists the risk that many rural people, so deficient in human capital as to be virtually unemployable, will populate rural communities and be dependent largely upon public assistance.

The problem is that the resolve and discipline needed to sustain the human capital investment effort could sag and rural communities could become simply rural welfare ghettos. That is not to say all rural communities face such a fate. But much of rural America could become an expansion of the paternalistic communities of our unfortunate Indian reservations. Acceptance of such a fate would be surrender to market forces that seem overpowering.

Has modern capitalism developed in such a way as to make it impossible for a significant rural population to earn a comfortable, decent living from their own production?

There seems to be a marked strain of thought among rural sociologists that the rural development problem runs to the very heart of capitalism. The logical extension of this line of thought is that rural American communities are now more of a social problem than an economic problem, and that focusing upon economic development is nothing more than wasted time spent day-dreaming.

Has modern capitalism developed in such a way as to make it impossible for a significant rural population to earn a comfortable, decent living from their own production? It almost seems unAmerican to ask such a question, so it seldom is put quite so candidly. But it is a question that is fundamental to any strategic approach to Southern rural development, and it deserves some meditation.

Location

Does location matter? That is a basic, but very important, strategic question and one that occurs if there is a refusal to accept that capitalism has sealed the economic fate of rural communities.

Does the location of a particular rural area or community relative to the international system of urban places make any difference in the range of opportunities available to that rural area or community? To the extent that natural resource endowments are considered, there is general acknowledgment that location does matter. There is also a strong body of empirical evidence that shows communities close to metropolitan areas are doing better economically than more remote communities. But there has been reluctance to take these pieces of evidence to their logical conclusion: some parts of the world, by virtue of their location and nothing else, are economically disadvantaged and may have no function except to hold the rest of the world together.

There is a fairly well-developed body of theory in regional science and economic geography that would suggest very strongly that location does matter and that it matters a great deal. If you accept that theory, then there are changes taking place in our economy (e.g., the reorganization of air travel) that could cause one to conclude that being located remotely from a hub airport is as much of an economic disadvantage today as being bypassed by the railroad was in the nineteenth century.

Economic development tactics must take location into account. There will be little that local action can do to transform the economy of a remote rural region into a thriving economy like those on the fringe of booming metropolitan areas.

If location matters, economic development tactics must take location into account. Public policy might be aimed at helping to alleviate some location disadvantages of rural areas, but there will be little that local action can do to transform the economy of a remote rural region into a thriving economy like those on the fringe of booming metropolitan areas. In such locationally disadvantaged communities, the local leadership issues are those associated with adjusting to the environment in which the community finds itself.

Entrepreneurship

One of the most popular prescriptions for rural economic development is local entrepreneurship -- small business development. Sounds very good. There is a strong body of literature in economic development, tracing to Schumpeter, that supports the notion that economic growth is triggered by entrepreneurship. The conclusion is jumped to, therefore, that rural communities can lift themselves by their own bootstraps if there is local entrepreneurial leadership.

That may be a conclusion resulting from a misapplication of Schumpeter. An entrepreneur is one who searches for an opportunity to make a profit by taking the risks of opening a new business. If there are greater profits to be made in an urban area than a rural area, any entrepreneur of worth will exhaust the profit opportunities in the urban

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area first before risking capital in the less-promising rural areas. So if rural areas are growing more slowly, there is presumptive reason to think it is because the entrepreneurial opportunities there are fewer, or less attractive, than in urban areas. So long as that condition exists, no amount of effort to stimulate homegrown entrepreneurship will allow most rural communities to close the income gap with urban places.

A colleague, Buddy Dillman, has been researching rural entrepreneurial activities in South Carolina. Dillman finds that most of the new businesses do little more than take business away from existing businesses in the community. There is little innovation going on in a Schumpeterian sense. Unless entrepreneurship results in either a reduction in the loss of income to the region due to purchases made from outside sellers (input substitution) or an increase in the sales of goods and services to outsiders, it does nothing to improve the economic well-being of the rural community and may actually result in a net loss. If location matters, the opportunities to make use of small business development programs for rural development will vary from location to location.

There may be some plausible conditions under which it makes sense to use tax policy to offset locational disadvantages.

Tactical Issues

Taxes and Industrial Incentives

The traditional way to attract economic development investments has been to offer tax concessions or some other tax-funded incentive to investors. Every Southern state played that game in attracting branch industrial plants despite empirical evidence suggesting that low taxes were much less important than cheap labor in attracting industry to the South. It was a situation similar to when the crowd stands up at a football game to see some big play. If everyone stands up, no one sees any better than if everyone sits down. But if everyone stands up and you stay seated, you will miss out on the big play. So states had to play the game, but it was mostly a big give-away to industry.

Are tax breaks and other such incentives still needed? How would we get rid of them if it is decided that they are no longer needed? Could effective use be made of some very specifically designed and limited tax incentives? These are all valid questions centering around the taxes and industrial incentives issue, but the answer to them depends to some degree on the answers to the questions surrounding the strategic issues previously addressed. There may be some plausible conditions under which it makes sense to use tax policy to offset locational disadvantages.

Infrastructure

The matter of using water and sewer systems to attract economic development investment is similar to the tax issue. It has long been part of the conventional wisdom that a community lacking in adequate water and sewer facilities, or good streets, roads and bridges, would not be a player in the game for economic development. That conventional wisdom may be correct, but there is now abundant evidence that having such infrastructure is not enough in itself to assure economic development. If the development does not occur, a community that has mortgaged its future to pay for infrastructure can find itself saddled with the heavy financial burden of paying off infrastructure bonds sold to pay for facilities that are being underused and that, even indirectly, produce little or no tax revenues.

Clemson research on the water supply system in South Carolina suggests that FmHA community development programs have done little more than saddle us with a set of inefficient, expensive, and deteriorating water supply systems. Arguably, the results are worse than would have occurred if there had been no FmHA program at all and rural communities had instead been told: build water systems only if you can see your way clear to generate enough revenues in user fees to be financially self-sufficient.

Should rural infrastructure development continue to be subsidized? If yes, what plan should be used to determine what communities receive subsidies? How should those communities be picked? How much money can be provided and for how long? It would be better not to start any new program unless there is assurance that it is possible to sustain the program as long as the need persists. Unrealized promises may be worse than no promises.

Like tax policy, infrastructure policy ought to be seen as a tactical, not a strategic, policy. It makes no sense to formulate and implement such tactical policies until the strategic issues are resolved. In other words, there is no sense in spending money on uneconomic ventures that will have to be subsidized as long as they exist.

Local Leadership Capacity

One of the other fashionable topics for those concerned with Southern rural development is local leadership. Rural people might become more capable of solving their own problems on a local case-by-case basis if the leadership abilities of rural people were increased. There seems to be some consensus that leadership is sometimes deficient in rural communities and that the leadership pool in a given community could become the limiting factor in the community's economic development.

But the consensus ends at that point. What is leadership? Can it be taught or otherwise developed as a direct result of some public policy or program initiative? How often is a deficiency of leadership the true limiting factor on a community's economic potential? Perhaps location matters so much that a particular set of disadvantages cannot be overcome with leadership of genius. What kind of leadership do differently situated rural communities need?

The local leadership capacity issue also embraces a set of related tactical issues concerning the capacity of rural local governments. Again, there is some consensus among specialists that the capacity of many rural local governments is narrow, limited by the provincial outlooks of elected officials and poorly trained staff workers. But there remains no consensus about how the capacity of rural local governments might reasonably be expanded.

Rural people might become more capable of solving their own problems on a local case-by-case basis if the leadership abilities of rural people were increased.

Environment Protection

The last issue could reasonably be treated as a strategic, not a tactical issue. The protection of environmental amenities might be necessary to an economic development strategy involving promotion of tourism and retirement in rural communities. The one thing that rural communities are likely to have in greater abundance than urban places is a pleasant natural environment. The Heckscher-Ohlin hypothesis, one of the fundamentals of regional economics, suggests that regions make their living selling what they have in greatest abundance. So if the H-O hypothesis is valid, environmental protection might be an important economic development tactic for rural communities.

There are a number of subsidiary issues that arise in connection with environmental protection, however. Environmental protection and entrepreneurialship can sometimes be in conflict. Any environmental protection is likely to close off some opportunities for entrepreneurs. There are tradeoffs, and no one knows how to measure very well the quantities involved in those tradeoffs. Since the entrepreneurs are likely to dominate the local economic development organizations in rural communities, there is a serious risk that the economic value of environmental amenities will not be properly considered.

Yet it is important to be realistic about basing rural development on such environmentally sensitive activities as tourism. All one needs to do is visit in winter the Cherokee Indian reservation in western North Carolina (by the Great Smokies National Park) in order to see that a sizable flow of tourists is not enough, in itself, to create rural community prosperity. Too little is known about the differences in the economic impacts of various types of resort and tourist attractions, or between tourism and retirement development as an economic base. But it is likely that tourism cannot solve the economic problems of more than a few rural communities, and that, even in tourism and retirement development, location matters.

Summary

In summary, three strategic issues in Southern rural development (capitalism, location, and entrepreneurialship) and four tactical issues (taxes and incentives, infrastructure, leadership, and environmental quality) have been identified. While the classification of some of these issues as strategic or tactical may be open to legitimate debate, it has been argued that strategic issues supersede tactical issues and that it is important to distinguish clearly what is strategic and what is tactical in formulating rural development policies and programs.

My own judgment is that the most important issue is location. I believe that both logic and empirical evidence support the notion that location matters a great deal. If I am right, it follows that since every rural community is unique in its location, it is vital to understand the advantages and disadvantages that location places upon each community, and failure to do so can only lead to wasted time, wasted money, and disappointed hopes in the rural South.

If the stressed public sector in rural communities is unable to support nationally competitive schools, rural leadership will deteriorate generationally.

I am also inclined to think that leadership development deserves special attention. Because I believe location matters, local leaders will need to deal with their own unique locational problems on a community-by-community basis. If the stressed public sector in rural communities is unable to support nationally competitive schools, rural leadership will deteriorate generationally. That is probably what has happened. So a vigorous effort to train large numbers of capable rural people for leadership roles that involve dealing with complex bureaucracies and media needs to be devised and implemented in time to reach the present generation of adults. I simply admit that I do not know how best to structure such an effort, nor do I see any indication that anyone else knows.

Local Perspective on Southern Issues

Reavis E. Dixon, County Commissioner
Ware County, Georgia

I have chosen to present my own set of issues and problems, not because I agree or disagree with the issues covered in the previous papers, but because I have uncovered through my involvement in government a set of issues that cannot be avoided. When we come to the point of meeting the problems and issues head-on, these will in my judgment have to be satisfied before real and lasting rural development can be accomplished.

When I was a child, my father said to me, "Son, don't be afraid to come down on the side of an issue that you believe in. There ain't nothing in the middle of the road except yellow streaks and dead possums, and you don't ever want to be identified with either one."

So I have come down on the side of three problems or issues that I perceive to be a hindrance to economic development in rural America, and I have classified them in order of importance. To me the greatest obstacle is the lack of leadership in many of the towns and counties of rural America. Surely we cannot expect business leaders as well as state and federal government officials to respond favorably to poorly organized or insincere city and county officials and community leaders.

Number two is infrastructure--namely modern, safe, efficient four-lane highways. I will attempt to establish their importance to business and industry.

Third is government incentives for rural development. This is crucial to the effort of using industrial movement to smaller cities and counties but would appear to be less effective unless our leadership and highway system are prepared and ready to carry their end of the bargain. Now let us begin with leadership.

Leadership

Leadership in rural America too often is classified as inadequate or poor, depending upon the character, integrity, and education level of the citizenry of the community as a whole. Too often the reasons to elect leadership in rural America boil down to the proposal that the candidate is a good ole boy or girl, the candidate is a relative or close friend, or the candidate is proficient in the art of gab and therefore perceived as qualified to fill the office. Experience and educational skills sadly take a back seat to these ill-conceived and preaccepted notions.

Because of the "slow lane" life-style of rural America during the early 20th century, rural leaders had never faced the complexities experienced by our urban counterparts until after the mid-1950s. In the '50s the exodus from rural to urban life totaled 250 to 300 million persons. By 1987 that farm-to-city migration reached one million persons. It is significant that within that flow from countryside to city go the brightest young minds with the most education leaving the older, less-skilled, and less-educated persons to try to solve the complex problems of today's small communities. It is not that rural America does not produce engineers, for we do. It is not that we do not produce doctors, lawyers, teachers, and industrial managers, because we do. But we produce them only to have them flee to metropolitan America, never to contribute to the improvement of the small community that gave them their start toward success.

It is significant that within that flow from countryside to city go the brightest young minds with the most education leaving the older, less-skilled, and less-educated persons to try to solve the complex problems of today's small communities.

I believe that steps should be taken without delay at the state level to mandate certain qualifications before anyone can seek election to public office. Among those qualifications should be an appropriate education for the office in question, and in no case should a candidate have less than a high school education. Many counties and cities of rural America do not so much as require a high school education to serve as mayor, chairman, or commissioner, all of which should require a college degree. Pay rates for elected officials should be set statewide to attract those who have the expertise and education to contribute to improved leadership. We will never be more than partly successful in rural economic development until the clandestine ideas which too often accompany a lack of education are forever eliminated from rural governments. Let us local politicians heed the advice of the cartoon character Pogo Possum, who also hails from my home, Waycross, Georgia. "Yep! Son, we have met the enemy and he is us."

Infrastructure

Since the time of the mid-1950s, we have seen a marvelously useful and efficient interstate highway system develop. And today, virtually every major city is served by at least one super highway. Many have experienced the luxury of two interstates, east-west and north-south, passing through their trade areas, not to speak of all the loops, bypasses, local connectors, etc., that are so common to the metropolitan areas of our county. They are all needed, but now let's explore some other needs for transportation that are pertinent to the rural economic effort.

Rural roads are not only essential to the movement of farm goods to market and the delivery of agricultural inputs, but they are basic to the vitality of our nation's economy.

Robert Barrow of the National Grange recently made some important points concerning rural transportation, and I want to incorporate his figures into my presentation. Rural roads are not only essential to the movement of farm goods to market and the delivery of agricultural inputs, but they are basic to the vitality of our nation's economy. Maintaining adequate rural roads and bridges is essential not only to accommodate the personal transportation needs of the community but also to encourage national industrial and economic growth as well. It has been estimated that the economic growth for the nation as a whole would be improved if the deterioration in the highway network were halted. The national income would be 3.2 percent higher by 1995, employment would be 2.2 percent higher, and inflation would be 8 percent lower than if road conditions continue to deteriorate as in the late 1970s. Economic development opportunities would increase as good roads and improved interstate access increases. Truck transport is steadily increasing. In 1965, trucks accounted for only 22 percent of all freight transport. By 1985, trucks moved 40 percent of the total tonnage and accounted for three-fourths of the nation's freight bill.

The present conditions of rural roads and bridges not only discourage economic growth but also increase the operating costs of firms that must use such roads to transport their goods. For instance, poor roads can increase the operating costs for a typical large combination truck by 6.3 cents per mile due to more breakdowns. The inability to operate at posted speed limits also adds to costs for industry. Detours around posted bridges cause additional cost burdens. Pennsylvania steel companies alone spend $1 million a year detouring such bridges. Combination trucks travel about 5.2 miles per gallon of diesel fuel. Roads in "fair" condition increase truck costs the same as if the tax on diesel fuel had been increased by 32 cents per gallon and an increasing number of larger and larger trucks are using rural roads and bridges throughout the nation. The increased cost of operating over rural roads and highway systems decreases our nation's competitiveness and steals money from everyone's pocketbook.

Rural America is a rapidly changing environment and our communities must diversify their economic bases if they are to survive. Rural economic development must begin by bringing the conditions of rural roads and bridges up to a use level that will not discourage businesses and industries from locating in these areas.

As we approach the turn of the century, there has emerged a movement within the federal government to plan surface transportation to the year 2020. A series of 64 hearings was held across the country to determine the nation's needs for the next 30 years. Thanks to such organizations as The National Trucking Industry, The Highway Users Congress, The National Grange, and local governments across the nation, you may be assured that a firm case has been made for efficient, safe highways for rural communities.

Government Incentives

Because rural areas of the United States are generally less populated than urban centers and their suburbs, it seems clear that federal, state, and local--or all three governments--will be compelled to develop incentives to cause economic development to occur in the rural communities. When we consider the James Hite paper, we come face to face with two elementary questions:

1) Has modern capitalism developed in such a way as to make it impossible for a significant rural population to earn a comfortable and decent living from its own production?

2) Does location matter?

Based upon my experience, I believe that by its very nature, capitalism, which seeks to produce a product at the lowest feasible cost and sell it for as much as the market will bear, tends to eliminate rural America from consideration for manufacturing and business development.

It is a foregone conclusion that entrepreneurs are drawn first to population masses either to sell their products, market their skills, or seek qualified employees for their factories and offices. We must likewise admit that rural America lacks population sufficient to alter this established and logical trend. But we clearly cannot all move into the metropolitan centers of our nation and leave the balance of the country to be reclaimed by nature.

It seems clear that federal, state, and local governments will be compelled to develop incentives to cause economic development to occur in the rural communities.

I believe that it behooves government to exercise its ability to favor development in rural America. Since most development appears to radiate from state developmental bureaus, it would appear that state incentives for rural development are especially important. Government has the authority and is entirely capable of implementing appropriate incentives to neutralize the problems associated with modern capitalism.

If we concede that capitalism by its nature tends to favor the masses for development, then offering government incentives to neutralize this problem should greatly reduce the level of significance of location in rural development, although it obviously would not disappear altogether. The problem of location could be overcome by most of the communities of rural America.

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Rural Education Policy: A Southern Perspective

David Mulkey, University of Florida

Questions related to education and training programs and their role in economic development have received increasing attention in the South. A series of reports from the Southern Growth Policies Board along with papers by several other authors remind us of sweeping changes occurring in the rural South. At the same time, these and other authors remind us of the increasing importance of an educated, skilled workforce in the future. The same set of authors generally concludes that education and skill levels in the rural South compare unfavorably with other areas of the nation and with metropolitan areas of the South.

Status of Education in the Rural South

Previous writings, when taken together, offer several important points which must be considered in addressing educational policy issues in the rural South. A summary of the more important points are offered here as a way of setting the stage for a later discussion of education policy options.

- **Rural education involves a set of related problems involving public expenditures, educational finance, non-governmental resources, and interrelationships between the public and private sectors.** Policymakers face a set of separate but related symptomatic conditions. Perhaps the most straightforward one and the one receiving the most attention is the question of educational quality for students enrolled in primary and secondary educational institutions. Here the rural South is not unique but is a part of a broader national concern over the state of the public schools and student achievement. But, in addition to questions of quality in existing schools, there are perplexing numbers of school dropouts, widespread functional illiteracy among adults, and a need for retraining of workers losing jobs in traditional manufacturing, agricultural, and natural resource based industries. The latter is particularly important due to the concentration of low-wage manufacturing industry in the South and declines in manufacturing employment, especially in the eight states of the central South. For example, about half of Southern rural counties lost manufacturing employment between 1977 and 1982. Further, evidence suggests that problems of high school dropouts, functional illiteracy, and general educational attainment are more severe in the rural South. There is the need to consider education as a lifelong learning process with the associated need to provide learning opportunities to all age groups.

> **Evidence suggests that problems of high school dropouts, functional illiteracy, and general educational attainment are more severe in the rural South.**

- **Problems of education and resulting public policies cannot be treated separately from the context of community institutions of which they are a part.** Learning does not take place in isolation. Education policy in the rural South must consider the particular heritage of cultural, social, and economic institutions which to a large extent still shape attitudes towards education in rural areas of the South. Early Southern institutions were profoundly influenced by the existence of slavery, and many of the same attitudes were continued as the South progressed to tenant farming and a later transformation to low-wage manufacturing. Much of the rural South has a long history of an institutional environment which places little value on education, especially widespread education for all its citizens.

- **Questions of educational attainment, educational policy, and economic development cannot be considered separately from each other or separately from other factors which affect the educational environment.** Problems of inadequate health care and nutrition, poverty, and inequality all interfere with access to educational programs and impede the performance of large groups of individuals. It is clear that students from wealthier families and communities do better in school and after graduation than do students from poorer communities/families regardless of the quality of the school. Rural areas have a higher proportion of low-income people. Thus, the effect of poverty and other community and family factors can easily outweigh any institutional improvement in the schools.

Of the 231 persistently low income counties, all but 18 (92 percent) are located in the rural South. In short, the problems of human capital in the South will require solutions extending beyond reform of public educational systems.

  This is not to imply that quality schools are not a worthwhile goal, but to point out that in many rural areas other community/family considerations may represent the more important concerns. This point is of particular significance in the rural South. Several USDA studies indicate that both the rate and number of rural people in poverty has increased since the late 1970s and that the rural poor are concentrated in the South (a rate of over 20 percent in the rural South compared to 16 percent in other rural areas). Of the 231 persistently low income counties, all but 18 (92 percent) are located in the rural South. In short, the problems of human capital in the South will require solutions extending beyond reform of public educational systems. The 1986 Commission on the Future of the South report concludes:

  > Raising levels of education, which is certainly one of the strongest public goals in the South today, will not reach fruition without looking beyond the doors of the public schools and acting on those conditions that impede the acquisition of knowledge. By expanding human resource development beyond its traditional educational framework, the Committee acknowledges the connection between education and training and the other facets which affect the quality of the region's human resources.

- **Education policy and economic development in the rural South cannot be separated from issues of racial and sexual inequality.** Counties in the rural South with predominantly black populations consistently exhibit lower levels of economic performance than do other rural counties in the region. Further, on most measures of educational attainment, blacks usually compare unfavorably to other racial groups. The same general conclusions can be reached relative to the incidence of poverty among female-headed households. The following sobering comparisons have been made relative to the rural South.

  -- In the South: 36 percent of female-headed households were poor in 1983.
  -- In the rural South: the figure rises to 39.2 percent.

-- For black rural women in the South: more than 58 percent were poor in 1983.
-- For Southern children under eighteen and living in female-headed households: 62 percent were poor in 1983.
-- For black children in these homes: the figure is 69 percent.
-- For rural children: 61.5 percent are poor.
-- For rural black children: 75.7 percent are poor.
-- For all rural children under six in a female-headed household: 70.3 percent are poor.
-- For rural black children under six: 80 percent live in poverty.

Thus, as these brief comparisons stress, the high incidence of poverty among rural blacks and among female-headed households of all races place large numbers of children and adults in situations known to inhibit learning and personal development. The rural South is unique in terms of the proportion of its citizens falling into the "at risk" categories.

- **Unlike investments in immobile kinds of infrastructure, educated workers are more highly mobile and more likely to leave the community after completing their education.** The more rural the community, the more likely this out migration becomes. Thus, education policy must take account of the fact that the public benefits to education are much less likely to accrue to a local area than are benefits associated with other types of community investment. As a result, local communities may be less likely to support public education.

  Further, due to considerations of location, resource availability, and other factors, it is unlikely that significant job creation will take place in all rural communities. Finally, urban areas with their wider array of economic and social opportunities will continue to remain attractive to rural youth. In this vein, it has been noted that within production industries, rural areas specialize in production jobs, while professional, research, and management jobs are more often located in cities. Thus, for a variety of reasons, better educated rural residents are likely to be attracted to urban areas. Local educational systems are faced with preparing residents for employment in urban centers when the movement of those residents will actually have detrimental effects on the local community. Again, the relevant point is that **educational benefits are not going to be captured directly in many rural communities.** The existence of these non-local benefits provides a rationale for non-local involvement in the provision and financing of educational programs. This point is particularly relevant as federal involvement is considered and especially important for the rural South. Rural areas in the region have a long history of outmigration, and metropolitan areas such as Atlanta continue to outperform rural areas in the provision of jobs and economic opportunity.

For rural children: 61.5 percent are poor.
For rural black children: 75.7 percent are poor.
For all rural children under six in a female-headed household: 70.3 percent are poor.
For rural black children under six: 80 percent live in poverty.

- **No specific prescription can be made regarding ways to improve educational quality.** There are relationships between teacher quality and student achievement, between school expenditures and student achievement, and between education and economic development. However, there is little evidence to suggest the length of the lag period associated with improvements in teacher quality. There are methodological and measurement problems with much of this research, and the total amount of research is insufficient to provide a strong empirical foundation for firm conclusions. Thus, it is difficult to suggest how educational dollars within a school system may be reallocated or how new dollars should be expended so as to improve the quality of education. Further, there is even less in the way of a solid research foundation for considering the allocation of public funds among specific education investments to enhance economic growth in a community. Programs dealing with literacy training, worker retraining, relocation assistance, and a variety of other educational programs all contribute in different ways over different periods of time to the existing stock of educated and skilled individuals in a community.

Finally, it is important to note that the lack of educated and skilled people in a community may not reflect on the quality of existing educational and training systems. It may instead reflect a set of factors which makes the community an unattractive place to live; or alternatively, it may reflect the prevalence of conditions such as inequality, poverty, and health care that interfere with either access to or performance in existing programs.

Education Policy and Rural Areas in the South

Education policy as it impacts rural areas in the South exhibits many of the same strategies evident in rural areas nationally. Dominant strategies include consolidation, changes in school financing, and racial integration. Education, once primarily a local function, shifted to more of a state function; and consolidation resulted in rural schools modeled more along the lines of their urban counterparts.

The trend towards state government providing a larger share of educational funding is more pronounced in the South. Typically, state aid is provided to local school districts on a per pupil basis with certain minimum standards then mandated by the state with various considerations to ensure more equal funding across districts. For all states, the state average contribution to education in 1987 amounted to 53.6 percent of school expenditures. In the Southeast and Southwest, only Virginia (36.7 percent) and Texas (49.7 percent) were below the national average. State contributions in other Southern states ranged from 56.2 percent (Tennessee) up to 79.9 percent (Alabama). The regional average for the Southeast was 63.5 percent. At the same time, per pupil expenditures in Southern states with the exception of Florida ($4163) were below the national average ($4043) in 1987. Four states (Alabama, Arkansas, Mississippi, and Tennessee) had per pupil expenditures of less than $3000. With reference to the Southeast, a recent study on financing public education concludes:

> School funding in the Southeast is characterized by extreme variation, but most states have the lowest per pupil revenues and the most state dominated finance systems among all regions; several states have below average school spending burdens and steady or declining state share of state/local revenues. Schools in this region have little financial independence suggesting the low level of school revenues is a function of state not local preferences and policies. This is a region where discussion of education reform in the 1980s has been very strong, but where dollars to support reform have been elusive.

Federal involvement has never amounted to more than 10 percent of total educational funding and currently averages about 6 percent.

Finally, in the South as elsewhere, with the exception of training in vocational agriculture, there has been a general lack of rural considerations in educational programs at the state level. Emphasis through school consolidation has been on the creation of comprehensive schools modeled along the lines of schools in urban areas.

Aside from funding for vocational education, the federal government played no significant role in the funding of public education at the elementary and secondary level until the mid-1960s with the advent of the federal poverty programs. Since that time the federal government has provided funds for compensatory education programs for lower income individuals. However, federal involvement has never amounted to more than 10 percent of total educational funding and currently averages about 6 percent. There is no federal support for general education at the elementary and secondary level. Further, there is no provision of federal education funding which specifically targets rural areas. Such areas benefit more or less depending on the proportion of low-income residents relative to other areas. One study finds that rural areas have tended to benefit slightly more from federal compensatory education programs due to the higher proportion of low-income people; but the variation, on average, amounts to only $3 per pupil.

For vocational education, federal involvement and funding support have a longer history in rural areas due to the early funding support of vocational agricultural programs. However, this amounts to another example of federal funding being relatively small compared to the total cost of program funding. The total federal commitment represents less than 10 percent of the total cost, although it is difficult to arrive at definitive answers due to inadequate data. Programs offer little in the way of specifically targeting rural areas. One analyst notes, "Education and training programs have made modest differences in the lives of some rural residents, but the evidence remains that they have not eliminated, or even substantially reduced, poverty among rural families."

In short, education has for the most part been a function of state and local government with a relatively **minor role played by federal funding. In existing federal programs there has been no attempt to target federal programs to rural areas. The same is generally true of state funding for education programs.** Only one state in the South, Oklahoma, is reported to have a rural section within the state department of education. Several states around the nation do target additional funds to small, rural schools, but the amount of funds actually transferred is small.

Justification for the Federal Role

In the area of education, different policy options exist at the community, state, and federal levels of government. However, since the emphasis of this workshop is on federal policy, any consideration of policy options should begin with the rationale for federal involvement. At least three points are worthy of consideration in this regard:

- Simple considerations of fairness and the assurance of equal opportunity for all (equity) provide an argument for federal involvement in the provision of human capital development/educational programs in rural areas. This represents the historical motive behind federal funding of compensatory educational programs and other individual/family support programs. Certainly the evidence would suggest that programs supported on this motivation should be continued or increased. Further, given evidence regarding the current situation for rural areas in general and the rural South in particular, combined with the problems of isolation and lack of economic opportunity, the equity argument can be extended to support programs which provide differential consideration for educational programs in rural areas.

- Federal involvement is also supported to the extent that either "rural development" or "rural transition" represents a national objective. Market forces are working to transfer resources out of rural America and argue that the rural policy choice is between programs to facilitate the transition and development programs designed to overcome and reverse market forces. In either case, however, the existence of an educated, skilled and flexible work force is critical to the success of the policies. Thus, if the federal government has a set of rural objectives, quality educational systems are crucial to accomplishing those objectives.

- Finally, the most neglected reason for federal commitment to education and training relates to the fact that part of the benefits from educational investments accrue to society at large and are not realized at the community or even state level. An explicit recognition of this fact in federal policy debates could lead to a greatly expanded federal role in the support of education.

Policy Options

The following policy options are offered to the federal government if a choice is made to support education in rural areas.

- **Increase federal funding support for general education** on the grounds that some part of the social returns to education represent a national benefit not captured at the local/state level. Funds could be used to supplement local and state expenditures on a per pupil basis or funding could be provided to support certain programs deemed to be more in the national interest.

- **Consider federal funding support targeted to rural schools.** Such schools tend to be smaller than their urban counterparts and more isolated. Thus, it is reasonable to expect that educational program delivery involves higher costs in rural areas. Federal support could help to ensure equal educational opportunities for rural students.

> **The most neglected reason for federal commitment to education and training relates to the fact that part of the benefits from educational investments accrue to society at large and are not realized at the community or even state level.**

- **Provide federal support for the development of innovative programs and the application of new technologies in the delivery of educational programs in rural areas.** Several ideas are available for consideration. For example, the possibility of using technology to offset the problems of small student numbers and isolation in many rural schools has been suggested. The labor intensive nature of the educational process also raises the question of using technology to improve productivity. Suggestions have been made for the development of vocational programs modeled after the early vocational agriculture programs which went beyond job specific skills training and developed leadership and entrepreneurial abilities. Many examples exist of exemplary school programs and innovative efforts to improve rural education. Good ideas seem much more abundant than commitments to improvement as measured in educational funding dollars.

- **Develop programs to increase public awareness of educational problems and needs at the local level.** Education is not simply the responsibility of the school system. Successful programs must rely on family and community involvement for success. Further, with widespread support at the local level, regional and state concerns over education needs could be more easily translated into funding dollars. This could be accomplished through the use of existing agencies such as the Cooperative Extension Service, community colleges, and public school systems. These agencies could be instrumental in developing not only increased awareness but also in providing leadership in developing and implementing local education programs.

- **Increase funding for research to provide empirical evidence upon which to base the development and funding of education and training programs in rural areas.** Information is needed on:

- Measures of educational quality and the factors which contribute to quality.
- Relationships between specific educational investments and changes in community economic factors.
- Returns to investments in specific educational programs (science, math, reading etc.) as opposed to general returns to education.
- The magnitude of the benefits to educational investments which are not captured directly by communities and states.
- The interrelationships between community attributes and successful educational programs.

- **Provide federal leadership and support to develop a systematic approach to dealing with the broad range educational problems in rural areas.** These include not only problems with public schools but also problems such as worker retraining, adult illiteracy, and lifelong educational opportunities for adults. A federal task force, a national conference, or a series of regional conferences could provide the catalyst for legislative action.

Keynote Address: Western Region

The Honorable Cecil D. Andrus
Governor of Idaho

I think we can begin with one fundamental assumption--everyone is for rural development. At least in an election year everyone *says* they are for improving life in rural America, on our farms and in our small towns. But once we have expressed our support, there is much less consensus about what we should do, what public policies we should encourage, or what set of goals we should strive for.

We do know that our natural resource economies have been going through a major restructuring. Thanks to new technology and better management, those industries are becoming more efficient producers. That is all to the good, but better efficiency often means reduced employment. And employment in agriculture, timber, and mining has decreased substantially. For instance, Idaho's timber industry is back to peak 1979 production levels, but that production is taking place with one-third fewer workers.

Rural economies also tend to be narrowly based on a single industry, making it more difficult to diversify. In addition, rural areas have been the biggest victims of deregulation in transportation and communications. In what some are calling the "Information Age," rural areas always seem to be the last to have the new technologies. We also have business financing problems. Some rural entrepreneurs have severe problems locating financing for anything but the most traditional enterprises.

And, during the last eight years, we have had an administration in Washington that has pursued agricultural and trade policies that, we can agree, have been devastating to this part of the world. Rural America has been through a 15-round bout and the knees are still wobbly. We went the distance and we are still standing, but there are plenty of bruises left.

Building Rural America

In my state we decided that no economic saviour exists. No one has a magic answer, and we are convinced we must do what we can, all by ourselves. I want to talk about what we are doing and what additional steps must be taken, because the survival of rural America is more than a subject for political slogans. It is a subject that encompasses a whole way of life in America and strikes at the very heart of our economic well-being.

Obviously there are no easy answers for developing and strengthening rural America. I would expect to hear at this conference a lot of talk about needing business planning and marketing assistance for entrepreneurs, providing job retraining assistance for workers in our changing resource industries, improving rural telecommunications systems, dealing with deregulation, filling gaps in the capital market, managing our natural resources, increasing value-added processing, and facilitating technology transfer. Since the nation's top academic experts are presenting major research papers here, I am sure there also will be dispassionate calls for investment in more research.

Maintaining stable, productive rural communities is a legitimate social and economic goal for the United States. I am convinced that most Americans do want employment opportunities to exist in smaller towns, and they do want the chance to pursue a rural lifestyle if they choose.

All these are topics that must be addressed if we are to improve rural economies, but there is a more fundamental question that comes first. It is a value judgment that may trouble academics, but politicians have no problem taking it head on. My premise is that maintaining stable, productive rural communities is a legitimate social and economic goal for the United States. I am convinced that most Americans do want employment opportunities to exist in smaller towns, and they do want the chance to pursue a rural lifestyle if they choose.

The Challenge in Rural Development

The proportion of Americans who are farmers has been declining for 200 years. Since 1960 we have lost 13,000 farms in Idaho. The labor force in our other major resource industries--forestry and mining--are declining as well. However, we can still maintain a viable rural economy by making a conscious effort to overcome the barriers of distance and small size and to capitalize upon advantages like productive and loyal labor forces, low pollution and crime levels, superb outdoor recreation opportunities, and a generally superior quality of life. What I am saying is that rural development as an idea, as a goal, comes from the heart as much as the head.

Idaho has only a million people and 191 cities. We need each of these communities, but it is a struggle to maintain even the most basic community services in many of those small towns. We cannot afford to lose more equipment dealers when farmers are already driving 50 miles to purchase a spare part. Rural hospitals are closing down at an alarming rate. Too many windows on main street in rural America are covered with plywood. The so called "swiss cheese" economy shows pockets of prosperity across the country with the East and West coasts booming, but there is not much more the rural West can give up without creating a new generation of ghost towns.

Yet Westerners are traditionalists; we're conservatives. Change does not come easily, and there are barriers to overcome as we accept the changes needed to improve rural economies. I do not know many third-generation ranchers in Idaho or Nevada or Wyoming, or for that matter loggers or miners, who are comfortable watching their sons or daughters leave the small towns--and in many cases leave behind a way of life. We cannot underestimate the problems of cultural adaptation, even as economic survival hangs in the balance. A community's willingness to accept positive solutions to rural problems, even when those solutions mean change, is very important.

What I am saying is that rural development as an idea, as a goal, comes from the heart as much as the head.

Coordination, Innovation, Capability

Clearly, we need a more coordinated and effective approach. United States farm policy traditionally has served as rural policy, but that will no longer do. While the costs of commodity programs have gone through the roof since 1981, funding for broader rural programs in the Farmers Home Administration, the Economic Development Administration and other agencies have been cut drastically. Rural communities do need help adjusting to a changing world, determining their future, and diversifying their economies. More comprehensive and better rural programs and policies are a necessity.

Senator Patrick Leahy's rural development legislation is a modest start at the problems of keeping America's heartland alive. I especially support the idea of enhancing a community's ability to effectively pursue growth and development. The future of any area ultimately rests on its local residents. We are building that kind of capability in my state, and it is already paying us back in a big way. Where I would differ from the proposed Senate legislation is in denying states a bigger role in the process. States are in a much better position to identify problems and priorities *and*, in my opinion, are always more efficient administrators. States are laboratories for policy experimentation. My plea once again to the federal government is do not just give us a new mandate, but for once let some of the money flow with maximum flexibility.

One other thing the federal government could do for us in the West is recognize that as our biggest landlord it must be sensitive to the fact that land management policies have a tremendous impact on our economy. When the Forest Service or the Bureau of Land Management sneezes, we catch cold. Economic stability should not be an abstract concept but ought to be a major policy consideration.

The Idaho Experience

Let me spend a few minutes discussing some of the policies and initiatives we have put in place in Idaho to address the problems of rural development. When I moved into the Governor's Office in January 1987, our economy was just about as low as it could go. I went to the Idaho Legislature and asked for, and received, its support to establish a first-class economic development agency in state government. The Legislature properly funded our State Department of Commerce, and we went to work.

In the intervening 18 months, we have created more than 16,000 new jobs and our unemployment rate has gone from a near-record high to a 20-year low. At 4.2 percent, it has not been lower since we started keeping records. Our total employment rate is at an all-time high. In June, our state budget ended the fiscal year $12 million in the black.

I will be the first to tell you we have not done all we can, or must do, but we have come a long way--and it was not just a fluke. We marshalled our resources, we put together a coordinated program, we went about the hard work of building partnerships, and we succeeded.

One thing the federal government could do for us in the West is recognize that as our biggest landlord it must be sensitive to the fact that land management policies have a tremendous impact on our economy. When the Forest Service or the Bureau of Land Management sneezes, we catch cold.

One thing we learned is that rural development is an extremely complex subject that cuts across many issues and touches many agencies. In Idaho, we formed a combined state and federal Idaho Rural Development Committee to coordinate our resources. I have a similar working group in my office. These groups are intended to serve as a rural development "quick response team," able to cut through bureaucratic red tape and across agency turf lines to coordinate activities, build links between programs, and generally get things done.

By the way, we make it a policy not to cut the red tape lengthwise. We must learn to avoid duplication and to use every available resource wisely and well. My point is that coordination and maximizing resources is essential. We have restructured our economic development and community development grant program to target the available federal dollars to projects that produce jobs and enhance a community's resources. In 18 months we have devoted more than $12 million to more than 70 job-producing, economy-expanding projects, and the huge percentage of those dollars went to rural areas and small towns.

Let me use one example of how we have leveraged state grant money to create jobs, new business expansion, and infrastructure. Appleton Produce is a small agricultural processing firm in Weiser, Idaho, population 4000. Weiser is a rather typical community in rural Idaho. The firm wanted to expand, but the City of Weiser could not accommodate the expansion in the city sewer treatment facility. State government stepped in and committed $282,000 to help the city upgrade its treatment plant. Appleton privately financed a million dollar expansion, and the package created 70 new jobs. The icing on the cake is that we also employed the strategy of assisting an Idaho firm in "adding value" to a homegrown product.

In addition, we have developed a program to enhance a community's ability to effectively pursue its own economic development. The Gem Communities Program is designed to deliver basic information on how a community fits into the national and global economies. It also helps communities assess strengths and weaknesses, set goals, and chart a future course. It is a partnership-building program. The state is not telling local communities what to do but is providing technical assistance. The idea is to encourage and reward local initiative.

Another effort we have undertaken is aimed at encouraging an entrepreneurial climate in Idaho. We are beefing up our technical assistance through the Department of Commerce. We have six small business development centers. We have mobilized our vocational education programs to assist with specialized job training. We are also developing a package of proposals to address the needs for venture capital.

While we pursue a variety of economic development and diversification projects, we are also moving to improve the quality of our educational system. Good jobs and the expansion of economic opportunity follow good schools; it is as simple as that. Idaho and other states in rural America will not be competitive in this increasingly complex economy if our young people and our workers are not prepared educationally. And educational quality requires a continuing investment.

Conclusion

I have little faith that the federal government--primarily due to budget restrictions--will develop major new rural development programs. What I hope the federal government will do is construct a farm and trade policy that helps, rather than punishes rural America. We have the right to expect that; we have the right to demand that. The federal government must also give the states the maximum amount of flexibility to develop policies that work.

> **Good jobs and the expansion of economic opportunity follow good schools; it is as simple as that.**

I am left with one final conclusion. As we tackle the challenge of rebuilding rural America, it will ultimately be the wisdom and initiative of individual states and local governments that will cause us to fail or succeed. We have been through very difficult times--but like those tough, determined Americans who built our small towns and gave strength to the nation's heartland, we are smarter, tougher and more confident because we have weathered the bad times. We will persist. Rural America would not have it any other way.

Rural Development Policy Issues in the West

Mike Woods, Oklahoma State University

Rural development has become a concern of many state and federal leaders as rural areas across the United States struggle through difficult economic times. Natural resource prices, farm prices, and international events all impact on rural America. The topic of this paper concerns the rural West and major issues facing its leaders and residents. Although major themes and generalizations will emerge, the uniqueness of rural areas -- including those of the West -- cannot be ignored. The paper is divided into two major segments: (1) the current economic and demographic status of the rural West (as defined by the 11 states in this report) and (2) major issues and related policy concerns.

Current Economic and Demographic Status

It is important to understand the economic and demographic characteristics of an area or region before discussing development policy options. Strengths, weaknesses, and trends are all determining factors of what policy actions are relevant and potentially successful. This section of the paper will analyze employment and demographic characteristics of the Western region as defined by this conference.

The focus of this paper is on rural and/or nonmetropolitan areas. A recent study by the USDA provides useful information on nonmetropolitan counties across the United States. Several national reports have been published utilizing the economic, social, and demographic data. Nonmetropolitan counties across the United States were classified and analyzed by policy-relevant variables. The following nonmetropolitan groups emerged from the study:

Of the 247 counties in the United States with at least a third of their area in federal ownership, 199 are located in the West.

- *Farming-Dependent Counties.* Farming (production activity) contributed a weighted annual average of 20 percent or more of total labor and proprietor income over the years 1975-1979.
- *Manufacturing-Dependent Counties.* Manufacturing contributed 30 percent or more of total labor and proprietor income in 1979.
- *Mining-Dependent Counties.* Mining contributed 20 percent or more to total labor and proprietor income in 1979.
- *Specialized Government Counties.* Government activities contributed 25 percent or more to total labor and proprietor income in 1979.
- *Persistent Poverty Counties.* Per capita family income in the county was in the lowest quintile in each of the years 1950, 1959, 1969, and 1979.
- *Federal Lands Counties.* Federal land was 33 percent or more of the land area in a county in 1979.
- *Destination Retirement Counties.* For the 1970-1980 time period, net immigration rates of people aged 60 or over were 15 percent or more of the expected 1980 population aged 60 or over.

The seven rural county groups included all but 370 of the 2,443 nonmetropolitan counties in the United States (metro status is based on 1974 Office of Management and Budget designation). Nationwide there are 702 farming-dependent counties, 678 manufacturing-dependent counties, 200 mining-dependent counties, 315 specialized government counties, 242 persistent poverty counties, 247 federal lands counties, 515 destination retirement counties, and 370 ungrouped counties. Overlaps were allowed and 22 percent of the counties fell in two of the seven groups with 6 percent in three or more groups. Fifty-seven percent of the rural counties belong exclusively to only one group.

The USDA study was utilized to analyze the 11 states included in the Western region which is the focus of this paper. Table 1 lists the Western region nonmetropolitan counties by type. It is interesting to compare the total number of counties by type in the Western region to the nation as a whole. Across all the Western states, there are 92 farm-dependent counties. This is 27 percent of all nonmetropolitan counties compared to 29 percent nationwide. There are 41 manufacturing-dependent counties or 12 percent of the total compared to 28 percent nationwide. Fifty-five counties or 16 percent are mining-dependent compared to 8 percent nationwide. Specialized government counties number 135 or 39 percent for the Western region compared to 13 percent for the nation as a whole. There are only 4 persistent poverty counties or 1 percent compared to 10 percent nationwide. Federal lands counties number 199 or 58 percent in the Western region compared to only 10 percent for the nation. Destination retirement counties number 85 or 25 percent for the Western region compared to 21 percent for the nation. The ungrouped counties number 21 or 6 percent for the Western region compared to 15 percent for the nation as a whole.

Several generalizations concerning the Western region emerge in this study. In terms of nonmetropolitan farm-dependent counties and destination retirement counties, the Western region of this study is very similar to the United States as a whole. The Western region lags substantially in the number of manufacturing-dependent counties. The U.S. manufacturing base has migrated more to other nonmetropolitan areas. For example, textile mills have been important in the South. The Western region depends more on natural resources, as this study will reveal.

The Western region leads, percentage wise, in the number of nonmetropolitan counties in three categories: mining, specialized government, and federal lands. These categories emphasize the natural resource base and the vast acreage in federal lands, both of which characterize the West. It should be noted, however, that the West is not totally homogeneous. For example, California, Oregon, and Washington have no mining-dependent counties listed and represent three of the most populated states in the West.

The Western region leads, percentage wise, in the number of nonmetropolitan counties in three categories: mining, specialized government, and federal lands.

The West has only 1 percent of all nonmetropolitan counties classified as persistent poverty counties compared to 10 percent for the nation. This implies persistent low income and related policy prescriptions may be more critical in other regions of the country.

Table 2 lists employment by industry for the states in the Western region. The final column lists total region employment with each sector as a percentage of the total in parenthesis. This can be compared to total U.S. employment by sector in Table 3. It is interesting to note that as a region, the West is very similar across sectors when compared to the United States. For example, employment in mining represents 1.3 percent of the total for the West compared to 1.2 percent for the nation. The difference in mining employment comes with specific states; Colorado (3.5 percent), Montana (3.2 percent), Utah (2.9 percent), and Wyoming (18.4 percent). This trend is supported in Table 1 where the mining-dependent counties of the 4 above listed states number 38 out of a total of 55 for the region. Again, the point to be made is that the West has several overall characteristics which are not shared by each individual state. Another interesting point is the high percentage of manufacturing employment in California (23 percent), Oregon (24 percent), and Washington (21 percent) compared to the region as a whole.

Population levels for the West are listed in Table 4. The most populated state is California with 23,668,000 population in 1980. The next largest population is Washington

Table 1. Western Region Nonmetropolitan Counties by Type

State	Num. of Counties in State	Farm Dependent	Manufacturing Dependent	Mining Dependent	Specialized Gov't.	Persistent Poverty	Federal Lands	Retirement	Ungrouped	Metro	Non-Metro
	Number of Counties										
Arizona	14	0	0	3	5	0	8	9	1	2	12
California	57	10	3	0	10	0	18	17	1	25	32
Colorado	63	18	0	11	10	1	32	8	1	10	53
Idaho	45	15	11	4	5	0	32	9	3	1	44
Montana	56	24	3	8	20	0	21	3	4	2	54
New Mexico	31	6	1	6	13	3	12	9	4	2	29
Nevada	17	0	0	4	2	0	14	6	0	2	15
Oregon	36	5	12	0	4	0	16	10	2	6	30
Utah	29	3	2	7	4	0	23	7	1	5	24
Washington	36	9	9	0	5	0	10	7	1	7	29
Wyoming	24	2	0	12	2	0	13	0	3	0	24
TOTAL	408	92 (27%)	41 (12%)	55 (16%)	135 (39%)	4 (1%)	199 (58%)	85 (25%)	21 (6%)	62	346

Source: Bender, et al., 1985.

Table 2. Western Regional Employment - 1984.

Industry	Arizona		California		Colorado		Idaho		Montana		New Mexico	
Ag Services, Forestry, and Fisheries	8,215	(0.9%)	64,961	(0.7%)	5,568	(0.5%)	2,175	(0.9%)	1,145	(0.6%)	1,600	(0.4%)
Mining	14,762	(1.6%)	64,458	(0.7%)	40,368	(3.5%)	3,905	(1.6%)	6,528	(3.2%)	22,545	(6.3%)
Contract Construction	92,208	(9.7%)	474,222	(5.3%)	88,813	(7.7%)	14,167	(5.7%)	10,792	(5.3%)	34,516	(9.6%)
Manufacturing	163,345	(17.3%)	2,061,622	(23.1%)	193,865	(16.9%)	52,875	(21.4%)	21,510	(10.6%)	32,915	(9.2%)
Transportation and Other Public Utilities	51,093	(5.4%)	533,391	(6.0%)	77,947	(6.8%)	14,411	(5.8%)	16,101	(7.9%)	24,801	(6.9%)
Wholesale Trade	56,588	(6.0%)	622,717	(7.0%)	79,970	(7.0%)	21,200	(8.6%)	16,434	(8.1%)	21,137	(5.9%)
Retail Trade	223,559	(23.6%)	1,830,264	(20.5%)	257,182	(22.4%)	57,636	(23.4%)	56,489	(27.8%)	91,099	(25.4%)
Finance, Insurance, and Real Estate	69,433	(7.3%)	706,219	(7.9%)	89,011	(7.7%)	15,261	(6.2%)	13,958	(6.9%)	22,945	(6.4%)
Services	255,521	(27.0%)	2,452,456	(27.4%)	303,741	(26.4%)	58,210	(23.6%)	57,044	(28.1%)	98,276	(27.4%)
Nonclassifiable Establishments	11,437	(1.2%)	127,414	(1.4%)	13,047	(1.1%)	6,699	(2.7%)	2,988	(1.5%)	8,286	(2.3%)
TOTAL	946,161		8,937,724		1,149,512		246,539		202,989		358,120	

Table 2 Continued. Western Region Employment - 1984.

Industry	Nevada		Oregon		Utah		Washington		Wyoming		Total	
Ag Services, Forestry, and Fisheries	1,605	(0.4%)	7,906	(1.0%)	1,162	(0.3%)	11,140	(0.9%)	411	(0.3%)	105,888	(0.7%)
Mining	5,198	(1.4%)	1,302	(0.2%)	13,057	(2.9%)	2,990	(0.2%)	25,367	(18.4%)	200,480	(1.3%)
Contract Construction	25,479	(7.0%)	30,690	(3.8%)	27,666	(6.1%)	73,921	(5.7%)	10,705	(7.8%)	883,179	(5.9%)
Manufacturing	20,648	(5.7%)	193,889	(24.2%)	90,471	(19.8%)	278,896	(21.5%)	7,891	(5.7%)	3,117,927	(20.9%)
Transportation and Other Public Utilities	22,536	(6.2%)	48,348	(6.0%)	31,898	(7.0%)	81,522	(6.3%)	11,004	(8.0%)	913,053	(6.1%)
Wholesale Trade	14,340	(3.9%)	63,453	(7.9%)	33,487	(7.3%)	93,372	(7.2%)	7,998	(5.8%)	1,030,696	(6.9%)
Retail Trade	70,272	(19.2%)	186,126	(23.2%)	99,945	(21.9%)	294,849	(22.8%)	34,114	(24.8%)	3,201,535	(21.5%)
Finance, Insurance, and Real Estate	18,463	(5.1%)	54,775	(6.8%)	30,643	(6.7%)	98,063	(7.6%)	8,029	(5.8%)	1,126,800	(7.6%)
Services	183,200	(50.2%)	206,290	(25.7%)	122,229	(26.8%)	343,568	(26.5%)	30,554	(22.2%)	4,111,089	(27.6%)
Nonclassifiable Establishments	3,425	(0.9%)	8,864	(1.1%)	5,547	(1.2%)	16,189	(1.3%)	1,698	(1.2%)	205,594	(1.4%)
TOTAL	365,166		801,643		456,105		1,294,510		137,771		14,896,240	

Source: U.S. Department of Commerce, Bureau of the Census, County Business Patterns.

Table 3. United States Employment by Industry - 1984.

Industry	United States	
Ag Services, Forestry, and Fisheries	356,881	(0.5%)
Mining	974,285	(1.2%)
Contract Construction	4,171,763	(5.3%)
Manufacturing	19,325,352	(24.8%)
Transportation and Other Public Utilities	4,675,385	(6.0%)
Wholesale Trade	5,387,724	(6.9%)
Retail Trade	16,080,830	(20.6%)
Finance, Insurance, and Real Estate	5,783,225	(7.4%)
Services	20,349,322	(26.1%)
Nonclassifiable Establishments	890,799	(1.1%)
TOTAL	77,995,566	

Source: U.S. Department of Commerce, Bureau of the Census, *County Business Patterns*.

Table 4. Western Region Population, 1980.

	Population	Urban	(Percent)	Rural	(Percent)
Arizona (AZ)	2,718,000	2,279,000	(83.8%)	439,000	(16.2%)
California (CA)	23,668,000	21,608,000	(91.3%)	2,060,000	(8.7%)
Colorado (CO)	2,890,000	2,330,000	(80.6%)	560,000	(19.4%)
Idaho (ID)	944,000	510,000	(54.0%)	434,000	(46.0%)
Montana (MT)	787,000	416,000	(52.9%)	370,000	(47.1%)
New Mexico (NM)	1,303,000	940,000	(72.1%)	363,000	(27.9%)
Nevada (NV)	800,000	683,000	(85.3%)	118,000	(14.7%)
Oregon (OR)	2,633,000	1,788,000	(67.9%)	845,000	(32.1%)
Utah (UT)	1,461,000	1,233,000	(84.4%)	228,000	(15.6%)
Washington (WA)	4,132,000	3,037,000	(73.5%)	1,095,000	(26.5%)
Wyoming (WY)	470,000	295,000	(62.7%)	175,000	(37.3%)
Region Total	41,806,000	35,119,000	(84.0%)	6,687,000	(16.0%)
U.S. Total	226,546,000	167,051,000	(73.7%)	59,495,000	(26.3%)

Source: U.S. Department of Commerce, Bureau of the Census, *Statistical Abstract of the U.S., 1986.*

Table 5 lists population per square mile for the states in the West as well as for the nation as a whole. Population density is an important factor affecting tax revenues as well as ability to deliver various services. As can be seen, across the entire nation the average density is 67 persons per square mile compared to 38 persons per square mile for the West. This figure would be even more extreme were it not for California where 264 persons per square mile reside. Most of the states in the West (excluding California and Washington) have a low population density and this will impact on possible policies to aid in rural development.

Western region population projections are included in Table 6. Across all states in the West except Montana, population is projected to grow more rapidly than the national average of 7.3 percent. California, because of its large population, will still be the dominant population center. However, the states with smaller total population levels are projected to experience large percentage growth which could challenge local and state officials in providing needed services.

Table 5. Western Region Population Density, 1980.

	Population	Population per Square Mile of Land Area
Arizona (AZ)	3,053,000	27
California (CA)	25,622,000	264
Colorado (CO)	3,178,000	31
Idaho (ID)	1,000,000	12
Montana (MT)	824,000	6
New Mexico (NM)	1,424,000	12
Nevada (NV)	911,000	8
Oregon (OR)	2,674,000	28
Utah (UT)	1,652,000	20
Washington (WA)	4,349,000	65
Wyoming (WY)	511,000	5
Total	45,199,000	38.5
U.S. Total	236,158,000	67

Source: U.S. Department of Commerce, Bureau of the Census, *Statistical Abstract of the U.S., 1986*.

Major Issues of the Rural West

The rural West includes a diverse set of counties and communities. As a result, the following major issues should be considered when potential policies for rural economic development are formulated:

- *National resource industries as a part of the rural economic base.* Natural resources including energy, agriculture, mining, forestry, and fishing make up an important segment of the rural West's economic base. Forestry counties are clustered in the Pacific Northwest and specialized agricultural counties appear in California's Central Valley and in irrigated areas in the Snake and Columbia Basins of the Pacific Northwest. Counties that have heavy mining activity include the Rocky Mountain area (copper, lead, silver, uranium) and Nevada (gold, tungsten). Energy extraction counties are found in the Rocky Mountain area bordering the Western region of this study. Other parts of the country also have a high dependence on natural resources but the rural West has its share.

Table 6. Western Region Population Projections.

	1980	1990	2000	Percent Change 1980-1990	Percent Change 1990-2000
Arizona (AZ)	2,718,000	3,994,000	5,582,000	46.5%	39.8%
California (CA)	23,669,000	27,526,000	30,613,000	16.0%	11.2%
Colorado (CO)	2,889,000	3,755,000	4,657,000	29.5%	24.0%
Idaho (ID)	944,000	1,214,000	1,512,000	28.0%	24.6%
Montana (MT)	787,000	888,000	963,000	12.6%	8.4%
New Mexico(NM)	1,300,000	1,536,000	1,727,000	17.7%	12.5%
Nevada (NV)	799,000	1,275,000	1,919,000	59.1%	50.4%
Oregon (OR)	2,633,000	3,319,000	4,025,000	25.7%	21.3%
Utah (UT)	1,461,000	2,040,000	2,777,000	38.7%	36.1%
Washington (WA)	4,130,000	5,012,000	5,832,000	21.0%	16.4%
Wyoming (WY)	471,000	701,000	1,002,000	48.3%	42.9%
Regional Total	41,801,000	51,260,000	60,609,000	22.6%	18.2%
U.S. Total	226,505,000	249,203,000	267,462,000	9.7%	7.3%

Source: U.S. Department of Commerce, Bureau of the Census, Statistical Abstract of the U.S., 1986.

Natural resource industries impacting the rural West are influenced by many forces including global economic change, national resource/environmental policy, and technical change. Although diverse in its impact on specific national resource industries, U.S. monetary and fiscal policies have a great influence on the natural resource industry as a whole. Environmental policies regulating the harvesting or extraction of natural resources impact the level of income as well as future quality of life of rural areas. Technical change often allows the substitution of capital for labor. With labor intensive natural resource industries, this technical change can possibly have a tremendous impact on the level of employment. The contribution of technological change to reduced agricultural employment provides a good example of this potential impact.

- *A high incidence of federal lands occurring in the West.* Of the 247 counties in the United States with at least a third of their area in federal ownership, 199 are located in the West. The USDA study by Bender, et al. notes characteristics of federal lands counties include remoteness from large metro areas, rapid population increases, large farms and ranches, and people who tend to reside in small towns and cities rather than in the open country.

  The major basic industries in federal lands counties are government employment and manufacturing. Farming activities in the West are unique in having a lower average value per acre than the U.S. average but having a much larger average size. Regulations concerning grazing and management practices impact the use of public lands in agriculture. Management of public lands has become a major issue. Likewise, forest management of public lands is extremely important and controversial.

- *The sparse population levels existing in many rural areas in the West.* Many states in the West are characterized by low population densities. Take away the metropolitan centers in these states and the sparse population in the rural areas is even more extreme. Low population density presents a problem in terms of providing services efficiently and economically. Health care, physical infrastructure, and educational services will cost much more per person in areas of sparse population.

  Because of sparse population levels in many areas of the rural West, a policy strategy of growth centers has often been considered. Trade centers for the agricultural and mining industries of the rural West have emerged. These centers may survive the economic difficulties while smaller communities continue to decline. Should state and federal governments consider targeting aid to these growth centers to increase the chance of success with economic development efforts? Should transition policies be established which in effect aid in the decline of others or make the decline less burdensome?

Low population density presents a problem in terms of providing services efficiently and economically. Health care, physical infrastructure, and educational services will cost much more per person in areas of sparse population.

- The information age and rural development. A broader issue affecting all of rural America, but particularly the West, concerns the rapidly changing information technologies. Communication equipment and data processing capabilities are changing the way our society and economy operate. Jobs are now more likely to be created by services than natural resource extraction or manufacturing. This has broad implications for rural areas of the West. If rural areas are to compete in our new economy, they will have to understand and master the new information technologies.

- Federal macroeconomic policies. Some authors argue that rural areas would benefit greatly from expansionary macroeconomic policies since rural areas have a disproportionate number of low income and underemployed persons and exchange rate sensitive industries hampered by current policies. The federal budget deficit and international trade deficit are two examples of problems strongly impacting the rural West. The implication is that the rural West should be particularly interested in influencing U.S. macroeconomic policies.

Local Perspective on Western Issues

Dale White, County Judge
Harney County, Oregon

In preparing for this presentation, I happened to look back at some of the old conference programs of the National Association of Counties' Western Interstate Region. That conference brings together all the counties in the 13 Western States to talk about mutual problems and to share information on Western issues. One of the featured programs at a WIR conference was "salvaging our rural communities." The year was not 1987 or 1988. It was 1972! In 1988 it seems we are still looking for answers.

For those of us who have lived in the rural West, both native and newcomer, there are two major common denominators to our lives. One is a tenacity to stay with a particular place or particular people. In order to do that, as one author puts it, we will stick, dig in like badgers, and change jobs with the seasons: waitress, logger, carpenter, river guide, clerk, cowhand, or keypunch operator. This uniquely "Western" characteristic has to be recognized as an asset in talking about rural development in the West.

The other common denominator is our constant companion and landlord, the federal government. An Easterner looking at a land ownership map of the United States would think that the feds owned most of our front yards. Sometimes, to some of us, it seems that they own our backyards as well. Over half of the West is in public ownership: national parks, forests, monuments, wildlife refuges, recreation areas, military reservations. Large amounts of land are also owned or held in trust for Indian tribes. Some counties may have 80 percent, 90 percent, or even 95 percent of their jurisdictions in public lands ownership. That translates to counties with a tax base of only 20 percent, 10 percent, or even 5 percent of their total land area.

Over half of the West is in public ownership. Some counties may have 80 percent, 90 percent, or even 95 percent of their jurisdictions in public lands ownership. That translates to counties with a tax base of only 20 percent, 10 percent, or even 5 percent of their total land area.

A fellow county commissioner of mine in a rural county on Colorado's Western slope tells me about an elderly gentleman he met at a local cafe. Seems he had come to the county in anticipation of the coming boom in oil shale development. "When was that?" my friend asked. "In 1896," he replied.

Of course, the dominating forces which have shaped our rural economies have been the West's natural resources: vast lands for grazing cattle or farming, sweeping forests for harvesting timber, and a complex geology that yields valuable oil, gas, and other strategic minerals. Blessed with vast natural resources, the West and her rural communities also have been perpetually at the mercy of wild and unpredictable swings in demand for those resources. Boom and bust we call it. And for right now in much of the West, it is more bust than boom.

For those of us elected to local government offices, the most predominant concern has been how to maintain economic stability in Western communities that are dependent on federal government policies for natural resource development. And this in an age when global economic factors beyond our control are having impacts on both our national and rural economies.

We in rural areas are aware that our local firms are competing with foreign and domestic concerns alike. For local officials who have traditionally had a local or statewide focus on economic development, there is a new awareness of the international nature of our economy. Just as an example, the National Association of Counties has for the last two years sent a delegation of county officials to Taiwan to explore access to foreign markets.

Our concern for community stability is directly related to the policies for natural resource development of the federal land management agencies, the Department of Agriculture, and the Department of Interior. The U.S. Forest Service has now identified 260 communities across the nation that are "economically dependent" on timber from the national forests. That means that at least 10 percent of a community's work force is directly dependent on the processing of national forest timber. The decisions that are made on how those national forests are managed can have a dramatic impact on whether or not a community will have increased unemployment and other economic dislocations. To illustrate, in Darby, Montana, the Forest Service's decision to cut back on a timber harvest led directly to the local lumber mill closing that threw over 150 employees out of work.

The Darby case also illustrates another major concern Western rural communities face that is somewhat different from that of rural communities in the rest of the nation. This concern is a decisionmaking process that pits local economic concerns and values against national concerns about conservation and the environment. Ever since the enactment of federal legislation governing the management of public lands, there has been debate over the use of our nation's natural resources. The basic laws which have evolved over the last two decades call for a multiple-use concept in public lands management. That is, uses can range from oil and gas exploration and development to recreation and wildlife protection policies. There are inherent conflicts in many uses and the federal agencies in consultation with state and local officials must sort out the difficult choices.

As more and more federal lands are placed into wilderness, less timber becomes available for harvest. While there have been some claims that recreation and tourism will offset the decline in timber and mining industry, local communities are wary of giving up traditional economic livelihoods for an uncertain alternative.

Can economic development and conservation coexist? Much of the future rural development in the West will depend on how the federal agencies respond to the current pressures to alter the traditional interpretations of multiple use. Environment and conservation interests are currently lobbying Congress to elevate recreational uses and to limit timber, mining, and oil and gas development on public lands.

As more and more federal lands are placed into wilderness, less timber becomes available for harvest. And the community stability of rural communities is threatened. While there have been some claims that recreation and tourism will offset the decline in timber and mining industry, local communities are wary of giving up traditional economic livelihoods for an uncertain alternative. Many in Western communities are frustrated when they see a Congress in Washington D.C. making decisions over which they have little influence or control.

This leads to a last major point that needs to be understood in dealing with rural development issues in the unique West. In case you have not noticed, federal policymaking is not exactly a rational exercise in which all the merits are debated coherently and logically. Rather it is a political process with many perspectives that have to be accommodated in order to achieve a consensus program.

In Congress, rural issues have diminished in importance. In 1918, rural Americans accounted for one-half of all residents. In 1988, only one-fourth of the population was rural. Reapportionment has dimmed the voice of rural America in the halls of Congress. This presents an obstacle that must be overcome. As we all know, seniority is all-important in the political arena, and right now rural legislators lag in seniority as well as numbers.

The past eight years have seen a dramatic shifting of responsibilities from the federal to the state and local levels of government. At the same time, federal budget deficits have grown to astronomical proportions. In the Congressional cutting frenzy to reduce the federal deficits, many programs that provided assistance to local government were cut or eliminated, including General Revenue Sharing, a $4.5 billion a year no-strings-attached program for local governments. Due to our low and sparsely populated counties, these cuts are causing a severe strain on our local budgets. Rural health care, infrastructure, and educational programs have been severely hurt.

These are some of the more important factors that must receive attention in planning for a rural development strategy. I would like to suggest that in developing rural policies, we must have a clear picture of the differences in rural economies in all regions of the country and why they are all important to the national economy. We must assure that politics and political requirements be given a realistic appraisal. The competition for policies and programs in this era of fiscal constraint is fierce, and we must accurately gage our opportunities and limitations. And finally, I urge that local involvement and commitment be the cornerstone of our policies. Grassroots initiatives remain the best motivation for local communities and the most crucial factor in successful efforts.

Public Lands Policy

Thomas R. Harris, University of Nevada
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Of the total acreage owned by the federal government, approximately 93 percent is located in thirteen Western states. Not only are most of the federal lands located in the West but the federal government is also the dominant landholder in the West and administers approximately 60 percent of the land area (Table 1). Because of the vast federal ownership of Western lands, public land management plays an important role in the economic activity of rural Western states. Frank Gregg, former director of the Bureau of Land Management, states:

> Many of our neighbors depend on the public land for their livelihood and their recreation. The public land is their environment and the qualities of their communities are influenced by our management decisions.

Therefore, the primary objective of this paper is to examine the impacts on rural economic activity from public land management in the West. For purposes of this paper, the term "public lands" refers to lands administered by the federal government. In pursuance of this objective, the paper is divided into three parts:

- A history and survey of current developments in public land ownership in the Western United States.
- A list of key issues as to rural Western states economic development and public land management.
- Suggested policy options involving public land management and Western rural economic development.

Because of the vast federal ownership of Western lands, public land management plays an important role in the economic activity of rural Western states.

History and Current Developments in Public Land Policies

Until the passage of the Taylor Grazing Act in the 1930s, the range was open to miners and ranchers with no restrictions. Forage resource depletion prompted the passage of the Taylor Grazing Act which ended an era of open range and began the period of custodial management. Custodial management was replaced by intensive management with the Independent Offices Appropriation Act of 1952. This managerial evolution was of no great concern to Westerners until the 1970s. Even the following statement in a 1970 report by the Public Land Law Review Commission did not raise significant interest when it supported a dramatic change regarding transfers of public lands to private ownership.

> The policy of large-scale disposal of public lands reflected by the majority of statutes in force today should be revised and that future disposal should be only for those lands that will achieve maximum benefit for the general public in non-federal ownership, while retaining in Federal ownership those whose values must be preserved so that they may be used and enjoyed by all Americans.

Table 1. Total Land and Federally Owned Acreage in Thirteen Western States, 1986.

State	Total Acreage	Acreage Owned by Federal Government	Percentage of Total Acreage Owned by Federal Government
		(1,000 Acres)	(Percent)
Alaska	365,482	318,357	87.11
Arizona	72,688	31,673	43.57
California	100,207	46,323	46.23
Colorado	66,486	24,189	36.38
Hawaii	4,106	687	16.73
Idaho	52,933	33,759	63.78
Montana	93,271	28,236	30.27
Nevada	70,264	59,815	85.13
New Mexico	77,766	25,871	33.27
Oregon	61,599	30,031	48.75
Utah	52,697	33,569	63.70
Washington	42,694	12,459	29.18
Wyoming	62,343	31,431	50.42
TOTAL	1,122,536	676,400	60.26
Eleven Contiguous Western States	752,948	357,356	47.46
United States	2,271,343	727,113	32.01

Source: U.S. General Services Administration. *Inventory Report on Real Property Owned by the United States Throughout the World*. Various Issues.

The complacent reaction to this recommendation was partly the result of other recommendations in the report that protected traditional uses, made land available for community expansion and initiated payments to local governments in lieu of property taxes. The low-keyed public rhetoric of some traditional range users changed with the 1976 passage of the Federal Land Policy and Management Act which enacted the recommendation that public lands be retained in federal ownership. This Act helped ignite the unsuccessful Sagebrush Rebellion which began in 1979. Other factors contributing to the Rebellion were intensification of management practices by the Bureau of Land Management and the increasing effectiveness of environmental and recreational groups in advancing their concerns relative to administration of public lands. Traditional users felt that their livelihood and lifestyle were being diminished by absentee interests. Some of the more visible signs of this conflict were laws to preserve wild horses and burros and legislation restricting predator control.

However, the spirit of the Sagebrush Rebellion spread beyond the originators, who were primarily ranchers dependent on public lands for cattle grazing. As government agencies began to seek withdrawal of land from multiple-use management, lands previously open to private individuals and firms were being designated as exclusive or single-use for only the federal government (e.g., military reservations and nuclear waste disposal sites). A wide range of special interest groups were attracted. At the height of the Sagebrush

Rebellion, the government proposed deploying the MX missile system on a huge slice of public lands spread over Nevada and Utah. This threat to open access on the designated land areas brought together a curious alliance of conservative rural residents, miners, ranchers, and urban environmentalists who fought the proposed missile system. Although the MX race track deployment was eventually rejected, the MX controversy increased Western urban resident awareness of the importance of public lands. Urban residents, as well as rural residents, are now more sensitive to changes in public land management and how management policies not only impact rural economies but also urban economies.

Key Issues

To address issues related to impacts of public lands on rural development in the western United States, it is useful to first identify what alternative scenarios could exist. That is, impacts of public lands relative to what? One approach is to categorize alternative scenarios according to the types of products and services forthcoming from the public lands. It is possible to identify three distinct commodity mixes forthcoming from a particular area of public land:

- Commodities which could be produced at an optimal level by the private sector (e.g., BLM or FS grazing, hunting, fishing, camping, off-road vehicle use).
- Commodities which could only be produced at an optimal level by the public sector (e.g., national defense, wilderness areas).
- A combination of private and public sector commodities (e.g., grazing in wilderness areas).

For private sector commodities, an obvious standard of comparison is resource use under competitive private resource ownership. For public sector commodities, the standard of comparison is less direct but involves behaving as if one is a private firm producing commodities at a level where the value of the last unit produced is equal to the opportunity cost of production.

Analysis of key policy issues should cover both distributional and economic efficiency impacts of public land ownership. Unfortunately, comprehensive economic research has not been completed to evaluate trade-offs involved if some currently public lands were placed under private ownership or if government were to recognize the full costs of producing public commodities. For policy analysis the question is: What would the current economy of the Western states be and what would the difference in future economic development be under these alternative situations?

Key issues concerning public lands and rural economic development from a local community perspective will be discussed in the following four broad and overlapping categories:

- Community revenue base.
- Development stimulation and constraint.
- Impacts to adjacent private property.
- Transference of public lands from multiple-use to single-use.

Community Revenue Base

Because federal lands are exempt from state, county, and local taxation, many state, county, and community decision makers believe that the presence of federal lands reduces revenues to their particular governmental entity.

With the passage of the Federal Land Policy and Management Act of 1976 with the provisions of in-lieu of payments, governmental leaders realized payments from the federal government for federal lands located in their jurisdiction. The computation of federal in-lieu of payments to governmental entities is complex and the amount realized by governmental entities is restricted by full or partial appropriations by the U.S. Congress. Also, in-lieu of payments are capped by either county population or amount of public lands within a county's boundary. In-lieu of payments do not account for differences in dollar value of economic activity on these public lands. Therefore, given two counties of equal acreage of public lands and population, with one county completely devoted to agricultural grazing and the other to a rapidly developing mining industry, both counties would receive the same in-lieu of payment.

Federal officials argue that the presence of a national forest or park is a positive stimulus to local economic activity and often causes an increase in land values in and around the federal lands. This is reflected in local governmental treasuries.

If public lands, or a portion of the public land, were in private ownership, there would be an expectation of a higher level of business services being produced and a lower proportion of "scenic" preservation. By incorporating considerations other than visitor fee revenues into the design of natural parks through the political process, public lands tend to be more land intensive, have fewer visitor days, and have lower levels of non-land investments.

Development Stimulation and Constraints

Gateway communities (e.g., Gatlinburg, Tennessee) exist near the entrance to most of the heavily visited national parks. The nearby communities often provide services for park visitors or other federal land users, services or facilities which otherwise would be located on the federal land. For these particular communities, economic activity is likely higher because extensive government ownership of land fosters a geographic concentration of commercial businesses.

Developments on public lands to produce public commodities can have positive economic and social impacts on the community. On the other hand, growth stimulated by the presence of federal land can transform the society and cultural character of the region in ways not favored by the local populous (e.g., the MX missile deployment).

Another concern, particularly in the West, is that federal land constrains expansion of some communities. Some rural communities where Forest Service or BLM land dominates the area believe that their community is essentially land locked.

With the passage of the Federal Land Policy and Management Act of 1976, a provision developed procedures where local government entities may request the release of federal lands for community expansion. It should also be noted that some individuals active in community affairs may not want transference of public lands to private lands because this action would expand the quantities of land available to the community and therefore would reduce the value of existing private real estate holdings.

While public lands do constrain development around many communities, this constraint sometimes is seen as being desirable because it blocks urban sprawl and preserves open space. The city of Barstow, California, requested that BLM acquire land around its boundaries to limit community outward expansion.

Private land owners who are dependent on federal lands to operate their businesses see themselves as beleaguered by federal policies and laws which make their private management objectives subservient to public objectives. Delayed federal decisions and detailed regulations increase their cost of operation.

Adjacent Private Property

Private lands intermingled with federal land are sensitive to federal land-management policy. Boundaries between private lands and federal lands are usually unfenced or unmarked. This allows increased numbers of people and animals to trespass from public lands to private lands more easily than if the lands were entirely private.

Private livestock losses from federally protected predators is a volatile subject in the West. Ranchers also contend that game animals and federally protected wildlife such as horses and burros originating on nearby federal lands consume crops and drink water from rancher stock tanks without the proper compensation that would occur under a system of completely private property rights.

Private land owners who are dependent on federal lands to operate their businesses see themselves as beleaguered by federal policies and laws which make their private management objectives subservient to public objectives. Delayed federal decisions and detailed regulations increase their cost of operation.

With the possible deployment of the MX missile system, an interesting resource question evolved which has not been resolved. If a resource such as underground water begins or transverses through public lands, can the public entity use the water supply and effectively cut off water supply to a current private user? Ownership of resource rights on public ground may supersede state law and be the property of the federal entity. Therefore, impacts from the potential restrictive use of the water resource is a question currently unanswered.

Because the presence of federal land and activities that take place upon it often have a profound influence on nearby communities and individuals, national policy should reflect a federal concern for such off-site impacts insofar as the lands are not sacrificed.

Transference of Public Lands from Multiple-Use to Single-Use

The principle of multiple-use management is based on the notion that there are competing but compatible uses of the resources. Conflicts over competing uses are resolved within a multiple-use framework in a process which includes public hearings, standard economic analysis, management principles, politics, and the legal system. With single-use, in-lieu of payments may be reduced and impact local fiscal balances. Also, mandated single-use will reduce the web of private activities associated with multiple-use. However, some single-use practices may be of such a size and nature as to increase private activities above artificially enforced multiple-use levels. Also, transference from multiple-use to single-use practice may, in some cases, increase local fiscal balances.

Federal Role

The justification for a federal role in federal lands management is obviously based on federal ownership. However, issues of equity, efficiency, and complexity also are important considerations, or should be important, in public lands management decisions.

Policy Options

The presence of federal land creates distinctive and often critical management problems. The resolution of these problems challenges the ingenuity and management skills of federal land managers; the planning and regulation capabilities of state, regional, and local agencies; and the management flexibility of private landowners. Because the presence of federal land and activities that take place upon it often have a profound influence on nearby communities and individuals, national policy should reflect a federal concern for such off-site impacts insofar as the lands are not sacrificed. Conversely, state, regional, and local government officials and private landowners should be sensitive to those values of the federal land that are prized by non-local constituencies.

So closely interwoven are the uses of federal lands and the uses to which neighboring lands are put, that the prevention and resolution of adjacent land conflicts cannot be separated from the federal land managers' basic responsibility for managing and protecting the public's lands.

Approaches to resolution or prevention of adjacent land issues have depended on utilization by agencies of rather traditional techniques and mechanisms -- acquisition and exchange being the foremost examples. Yet these have their limits. On the other hand, state and local governments have placed some reliance on use of their traditional and established authority, particularly their police power as expressed in zoning ordinances and subdivision controls. The challenge is to link federal agency action with the actions of state and local government. Such regional efforts as Section 208 wastewater management planning and coastal zone management are possible mechanisms. But, if federal agencies are to be able to perform as working partners in such cooperative efforts, field-level staff will require direction, training, and the assistance of experts in such fields as urban and rural dynamics, economics, and law.

In developing suggested policy options, it is helpful to analyze the four key issues from the community's perspective. From these community perspectives, policy options are developed.

- *Revise the In-Lieu of Payments Formula.* The central issue here is whether the government has properly measured community revenues foregone from government ownership and administration in the current in-lieu of payments formula. With passage of the Federal Land Policy and Management Act in 1976, the in-lieu of property taxes provision was created. However, the amount of in-lieu of taxes can be prorated by the U. S. Congress. The uncertainty of this payment causes a somewhat unstable revenue source for local and state governments. Provisions to develop in-lieu of tax payments that are somewhat stable would yield a stable revenue source for local governments. Also, in-lieu of payments for counties should reflect the economic activities occurring on those public lands. Greater equity in tax treatment would thereby be created.

- *Utilize Public Lands Management and Ownership to Stimulate Growth.* The central issue here is whether government has used a proper market value equivalent for government-provided services. If underpriced governmental goods are provided at a higher but competitive market price, less of the government good will be purchased and more of the competing private commodities will be demanded, produced, and sold.

  With public lands being such a large presence in the West, state and local decisionmakers could investigate developing programs to interlock purchases by federal agencies to the local economies. Some Western states have developed federal procurement programs to reduce sales leakages by federal land office purchases. A potentially successful community development program would be to develop and strengthen community business linkages with the local federal offices. This federal procurement program would increase the economic multiplier impacts in the rural economy.

- *Resolving Private Effects of Public Lands Management Decisions.* The issue involves the mechanism for considering and compensating for private effects of public lands management decisions. In the Western United States, for example, water resources are a scarce resource. The ownership of water on federal watersheds and the possible curtailment of these waters from federal lands to private lands needs to be resolved. Possible pollution of watershed waters on federal lands that flow onto public land is another problem that needs to be resolved. In addition, is the government liable for damage done by a fire that originates on public lands but burns private property? A mechanism needs to be established for resolving such disputes and compensating directly affected private owners. A special independent agency or commission might be considered for this purpose.

- *Public Lands from Multiple-Use to Single-Use.* In accounting for the amount of restricted areas, government should consider its opportunity cost (alternative use value). If public land is treated as a "free" good, then there is a tendency for wilderness areas, military bases, and nuclear waste sites to be too large. With realization of possible transfer of multiple-use public lands to single-use public lands, the impacts of such transfer can greatly impact a rural community. Environmental impact statements that determine both positive and negative impacts on adjacent lands from transfer of public lands from multiple-use to single-use lands can be used to mitigate impacts to local and state economies.

Summary of Participant Feedback: What Are the Most Critical Rural Issues?

FOCUS ON THE FUTURE

Summary of Participant Feedback: What Are the Most Critical Rural Issues?

Input from workshop participants was acquired in a variety of ways. Workshop planning committees were constituted in each region for the purpose of advising on program content. They identified topics of a regional focus, reacted to proposed program ideas, suggested regional speakers and reactors, and provided names of potential attendees.

Pre-Conference Survey

A second pre-conference source of information was a questionnaire (exact wording can be found in Appendix E) participants completed as part of the workshop registration. They were asked to rate the importance of 16 major issues confronting rural communities. The issues were:

- Employment Opportunities
- Health Care
- Education
- Public Services
- Poverty
- Public Financing
- Job Training Programs
- Environmental Protection
- Housing
- Public Land Management
- Solid Waste
- Federal & State Mandates
- Agriculture
- Water Quality
- Managing Growth
- Transportation

All 16 issues were seen as moderately to very important with scores ranging from 3.05 to 4.58 on a 5 point scale. Table 1 reports the rank order of the issues from the most important to the least important based on the mean scores for those responding. There is a national summary for all participants and a separate one for each of the four regions.

For the nation as a whole, the five most important issues were: (1) employment opportunities, (2) education, (3) health care, (4) water quality, and (5) agriculture. To most people, it is not surprising to see jobs, education, and health care as the highest priority issues. The top five were the only issues that had mean scores of over four on the five-point scale. Issues seen as least important were public land management, managing growth, and housing. Variations on this national pattern can be found within each region. However, employment opportunities was consistently the top issue in all four regions with education and health care following closely behind. Likewise, water quality ranked fourth, fifth, or sixth in all regions. The pattern in the North Central region is most like the national norm, with the exception of agriculture being ranked higher. The Northeast region is the most dissimilar with problems of the environment, land management, solid waste, and growth management ranked higher, while agriculture, job training, and public finance were rated lower than the national norm. In the South, poverty and solid waste were higher and the environment was lower. In the Western region, transportation, federal and state mandates, and public land management were rated as more important issues than in the nation, while poverty and solid waste were seen as less important.

For the nation as a whole, the five most critical rural issues are:

Pre-Conference Survey	Roundtable Results
1. Employment Opportunities	1. Education
2. Education	2. Economic Opportunities
3. Health Care	3. Infrastructure
4. Water Quality	4. Health
5. Agriculture	5. Changing Population

Table 1. Rank Order of Issues According to Importance (Pre-Conference Survey)

North Central N=87	Northeast N=61	South N=101	West N=55	Nation N=310
1. Employment	1. Employment	1. Employment	1. Employment	1. Employment
2. Agriculture	2. Health	2. Education	2. Health	2. Education
3. Education	3. Education	3. Health	3. Education	3. Health
4. Health	4. Environment	4. Poverty	4. Water	4. Water
5. Water	5. Water	5. Agriculture	5. Transportation	5. Agriculture
6. Job Training	6. Solid Waste	6. Water	6. Agriculture	6. Job Training
7. Public Service	7. Land Mgmt.	7. Job Training	7. Mandates	7. Poverty
7. Environment	8. Poverty	8. Solid Waste	8. Job Training	8. Public Service
9. Poverty	9. Housing	9. Public Service	9. Environment	8. Environment
10. Solid Waste	10. Public Service	9. Public Finance	10. Public Finance	10. Transportation
11. Mandates	11. Agriculture	11. Transportation	11. Land Mgmt.	11. Solid Waste
12. Public Finance	12. Growth Mgmt.	12. Housing	12. Public Service	12. Public Finance
13. Transportation	13. Transportation	13. Environment	13. Poverty	13. Mandates
14. Housing	14. Job Training	14. Mandates	14. Housing	14. Housing
15. Land Mgmt.	15. Public Finance	15. Growth Mgmt.	15. Growth Mgmt.	15. Growth Mgmt.
16. Growth Mgmt.	16. Mandates	16. Land Mgmt.	16. Solid Waste	16. Land Mgmt.

Table 2. Rank Order of Issues According to Program Effectiveness (Pre-Conference Survey)

North Central N=87	Northeast N=61	South N=101	West N=55	Nation N=310
1. Education	1. Education	1. Job Training	1. Land Mgmt.	1. Education
2. Job Training	2. Land Mgmt.	2. Agriculture	2. Environment	2. Job Training
3. Land Mgmt.	3. Agriculture	3. Public Service	3. Water	3. Land Mgmt.
4. Agriculture	4. Public Service	4. Environment	4. Education	4. Agriculture
5. Housing	5. Job Training	5. Land Mgmt.	5. Public Service	5. Public Service
6. Public Service	6. Public Finance	5. Water	6. Job Training	6. Environment
7. Environment	7. Environment	7. Education	7. Agriculture	7. Water
8. Health	8. Health	8. Transportation	8. Mandates	8. Health
9. Solid Waste	9. Employment	9. Public Finance	9. Health	8. House
9. Water	10. Water	9. Employment	10. Housing	10. Employment
9. Transportation	11. Mandates	11. Growth Mgmt.	10. Solid Waste	10. Public Finance
12. Employment	12. Housing	12. Housing	12. Employment	12. Mandates
12. Public Finance	13. Poverty	13. Health	13. Poverty	13. Solid Waste
12. Mandates	14. Solid Waste	14. Mandates	14. Public Finance	14. Growth Mgmt.
15. Poverty	15. Growth Mgmt.	15. Solid Waste	15. Growth Mgmt.	15. Transportation
16. Growth Mgmt.	16. Transportation	16. Poverty	16. Transportation	16. Poverty

Most of these regional differences are very predictable. Agriculture would be expected to rate high in importance in the North Central states. Environmental concerns, waste management, and growth management are more important issues in the Northeast than in other parts of the nation. The rural South is more concerned with poverty and less with environment, while Western states have more problems with transportation and public land management issues.

The second topic of the questionnaire focused on the adequacy of existing public programs for addressing the same 16 issues. Overall, these scores were lower than those on importance, ranging from 2.52 to 3.04. In other words, no program is perceived as doing a really adequate job. The national and regional rankings are reported in Table 2. Nationally, the four areas in which programs were rated most effective were education, job training, public land management, and agriculture. Those perceived to be least effective were programs dealing with poverty, transportation, growth management, and solid waste.

The following discussion details how regional rankings differ from those of the nation. In the North Central region, programs in housing, solid waste, and transportation received higher ratings. Programs addressing public finance and poverty were perceived as performing better in the Northeast, whereas the areas of job training, water quality, and housing were rated lower. In the South, programs in agriculture, transportation and growth management were rated higher, and participants viewed education, health, and housing programs as performing at a lower level. Programs dealing with the environment, water quality, federal and state mandates, and solid waste were thought to be performing better in the West, whereas those addressing the issues of education, job training, agriculture, and public finance were rated worse off.

When cross referencing the ranking on importance with that of effectiveness on the same issues, one would hope that those issues that are important would also have programs that are seen as effective. Four areas in which program effectiveness scores are significantly lower than their respective importance rankings are employment opportunities, health care, poverty, and water quality. This finding would suggest a need to improve programming efforts in those areas.

Roundtable Summaries

The workshops each began with a keynote presentation, an introduction to the workshop process, a review of the results of the ERS/USDA study titled *Rural Economic Development in the 1980s*, and the presentation of a paper on regional issues. Subsequently, each roundtable comprising ten individuals was asked to identify the two most critical rural development issues. Seven hours and 50 minutes, or about one-half of the total workshop time, was spent in roundtable sessions. In total, there were 66 roundtable groups at the four regional workshops. In each roundtable setting, participants had discussion questions, a group facilitator, and a report form to complete. Therefore,there is a written record (and in some cases a taped record) of the conclusions reached by each group.

There were two assignments during the first roundtable session. One was to reach consensus on the two most critical rural issues, and the other was to decide on which issues additional funds should be spent if such funds were to become available. A list of the most critical issues is summarized in Table 3. There was clear consensus that the top two critical issues were education and economic opportunities. Other issues receiving considerable support were infrastructure, health care, the changing population, and the environment.

The top three issues varied from region to region as indicated in Figure 1. The development of expanded economic opportunities (jobs) or improved rural education (school) systems vied for the top position in all but the Northeast. In the Northeast, the need to improve rural health delivery systems ranked second to rural education as the two top priority issues.

A second assignment was for roundtables to decide on the allocation of new funds if they were to become available. There was no specification as to the source of funds -- federal, state or local. Results are reported in Table 4. The top five rural issues targeted for additional resources were (1) education, (2) infrastructure, (3) leadership development

Table 3. Rank Order of Critical Issues Facing Rural Areas (Roundtable Consensus)

North Central N=19	Northeast N=12	South N=21	West N=14	Nation N=66
1. Ec. Opport. (7)	1. Education (6)	1. Education (18)	1. Ec. Opport. (7)	1. Education (33)
2. Infrastructure (4)	2. Health (5)	2. Ec. Opport. (10)	2. Education (6)	2. Ec. Opport. (26)
2. Changing Populat. (4)	2. Environment (5)	3. Health (9)	3. Environment (5)	3. Infrastructure (15)
4. Education (3)	4. Ec. Opport. (2)	4. Infrastructure (5)	4. Infrastructure (4)	4. Health (14)
5. Leadership (2)	4. Infrastructure (2)	4. Changing Populat. (5)	4. Changing Populat. (4)	4. Changing Populat. (14)
5. Job Training (2)	4. Leadership (2)	6. Environment (3)	6. Leadership (2)	6. Environment (13)
7. Financing (1)	4. Financing (2)	6. Job Training (3)	7. Job Training (1)	7. Leadership (7)
	8. Changing Populat. (1)	8. Solid Waste (2)	7. Financing (1)	7. Job Training (7)
	8. Water (1)	8. Transportation (2)		9. Financing (4)
		10. Water (1)		10. Water (2)
		10. Leadership (1)		10. Solid Waste (2)
				10. Transportation (2)

Table 4. Rank Order of Issues Targeted for Receiving Additional Resources (Roundtable Consensus)

North Central N=19	Northeast N=12	South N=21	West N=14	Nation N=66
1. Education (10)	1. Education (9)	1. Education (17)	1. Infrastructure (11)	1. Education (41)
2. Infrastructure (9)	2. Leadership (6)	2. Leadership (10)	2. Job Dev. (10)	2. Infrastructure (31)
2. Leadership (7)	2. Health (6)	3. Infrastructure (8)	3. Education (5)	3. Leadership (26)
4. Job. Dev. (6)	4. Infrastructure (3)	4. Health (7)	3. Health (5)	4. Job Dev. (23)
5. Job Training (5)	4. Environment (3)	5. Job Dev. (5)	3. Financing (5)	5. Health (22)
6. Health (4)	4. Housing (3)	5. Planning (5)	6. Leadership (3)	6. Job Training (11)
6. Financing (4)	7. Job. Dev. (2)	7. Job Training (2)	7. Job Training (2)	6. Financing (11)
8. Planning (2)	7. Job Training (2)	8. Financing (1)	7. Water (2)	8. Planning (8)
8. Water (2)	9. Financing (1)	8. Environment (1)	9. Environment (1)	9. Environment (6)
10. Solid Waste (1)	9. Water (1)	8. Water (1)	9. Planning (1)	9. Water (6)
10. Housing (1)	9. Solid Waste (1)	8. Poverty (1)		10. Housing (4)
		8. Senior Citizens (1)		11. Solid Waste (2)
				12. Poverty (1)
				12. Senior Citizens (1)

and capacity building, (4) job development, and (5) health care. The major change in priority issues for funding from the previous list of critical issues was the rise of support for programs designed to foster leadership. Workshop participants felt such frustration over the unwillingness or inability of rural decisionmakers to come to grips with rural problems that they expressed a widespread need for increased *public* expenditures on leadership development.

As in the case of the critical issues, considerable regional variation exists in the top three issues identified for increased funding (Figure 2). The need to improve rural education was the only policy area that was identified as one of the top three issues for additional funding in all regions and was the top priority in the North Central, Northeast, and South. Infrastructure and leadership were singled out for increased funding in three of the regions.

The regional differences in additional funding priorities reflect an important implication from the workshops: *rural development problems are sufficiently different regionally that flexibility is needed in the allocation of additional appropriations. Flexibility must exist to treat rural problems as they exist, where they exist. This suggests the need for discretion to state or local government units in the specific utilization of available funds. It does not imply flexibility without accountability.*

Flexibility must exist to treat rural problems as they exist, where they exist.

Comparison of Indicators

Now that four different indicators have been presented and discussed, it is possible to compare the results. Remember that the first two on the "importance of issues" and the "effectiveness of programs" were aggregations of individual responses collected before the regional workshops were held. In contrast, the "critical issues" item and the "additional funding" question were the consensus of roundtable discussions at the workshops. Therefore, the procedure provides for a semblance of a pre- and post-test with the pretest representing a group consensus following speaker presentations and roundtable discussion. Each of the four indicators are distinct and would be expected to measure distinct concepts: however, one could logically anticipate a consistent pattern to surface. The national rank order on each indicator can be found in Table 5.

The issue of employment opportunities was rated high in priority as a problem and for receiving funding support, but was ranked low on program effectiveness. In other words, job creation and economic development are seen as very important in rural areas nationwide, but present programs are not considered adequate. Education consistently received a high rating on all indicators. It is seen as important and programs are viewed as effective, but even with successful programs, continued support is desired. Health care is seen as a critical issue in rural America, with additional support desired. Questions were raised, however, about the effectiveness of current programs. Discussion focused on structural and programmatic changes desirable for the success of health care programs in a rural environment.

Water quality received a high rating in the pre-conference individual responses but was rated lower as a critical issue when pitted against the many other important problems in the discussion sessions. Likewise, agriculture was mentioned as important in the pre-conference survey but was not mentioned in the group responses. This difference can most likely be explained by statements made by speakers emphasizing that rural development policy is distinct from agricultural policy. The pattern of response for job training is different from any other issue. Job training programs are seen as very effective; in fact, they tie with education programs as the most effective, while their importance ranking is only moderately high.

The issue of poverty was seen as moderately important but was ranked low in effectiveness and low as a spending priority. In contrast, public services, or infrastructure,

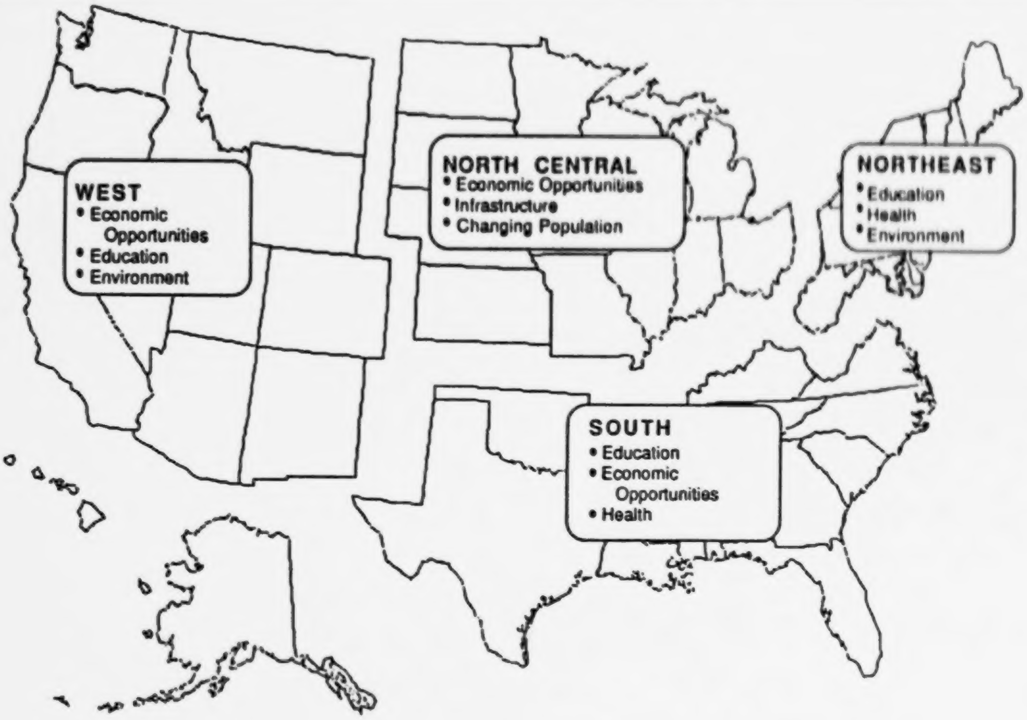
WEST
• Economic Opportunities
• Education
• Environment
NORTH CENTRAL
• Economic Opportunities
• Infrastructure
• Changing Population
NORTHEAST
• Education
• Health
• Environment
SOUTH
• Education
• Economic Opportunities
• Health

Figure 1: Three Most Frequently Identified Rural Development Issues by Region

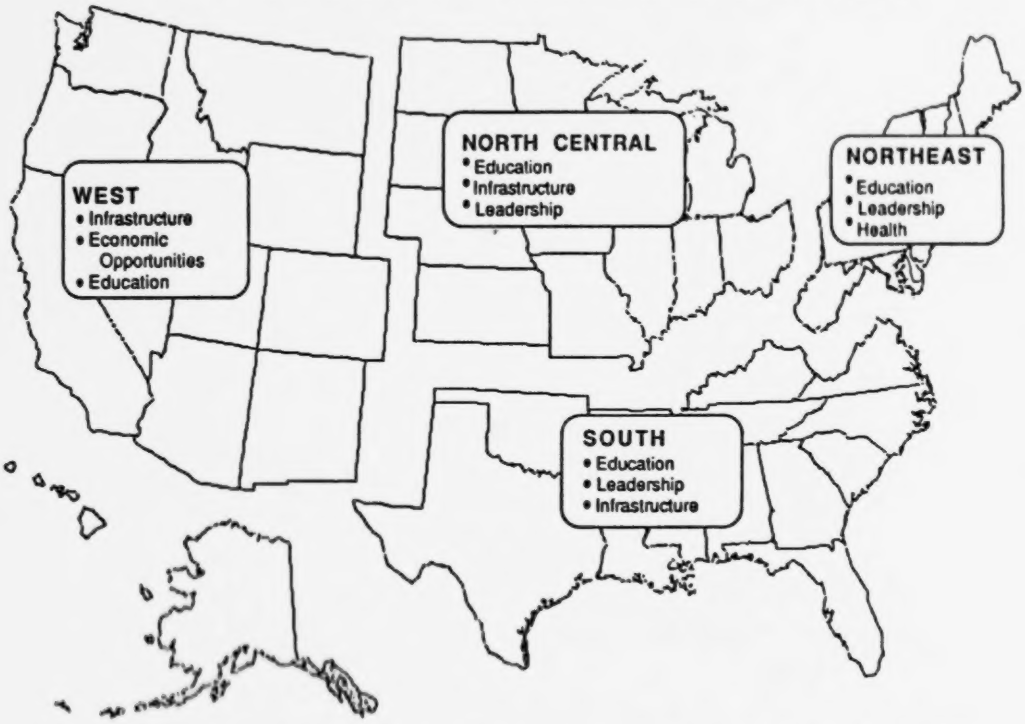
WEST
• Infrastructure
• Economic Opportunities
• Education
NORTH CENTRAL
• Education
• Infrastructure
• Leadership
NORTHEAST
• Education
• Leadership
• Health
SOUTH
• Education
• Leadership
• Infrastructure

Figure 2: Three Most Frequently Identified Priorities for Additional Funding by Region

received moderately high scores on importance in the pre-conference survey but ranked near the top (third and second, respectively) as a critical issue and as a funding priority by the roundtables. Local government officials tended to rate public services quite high, and it was seen as an issue that could be solved with an increased expenditure of public funds. The issue of environmental protection was seen as moderately important and programs were viewed as fairly effective, but there was not a strong expression for increased expenditure in this area. In comparison, public finance was not seen as a critical problem but was identified as an area deserving of increased funding.

The issues of transportation, solid waste, dealing with federal and state mandates, and growth management were ranked low consistently on all indicators. They were not thought to be extremely important nor were they strong candidates for increased support. Land management, on the other hand, was rated low in importance but high in program effectiveness.

Three new issues that were not included in the pre-conference survey surfaced in the roundtables. They were leadership development and capacity building, senior citizens, and the changing population. The development of the capacity of community leaders was identified as a critical issue during roundtable discussions and was ranked third in priority for additional funding support. The issue of the changing population was raised as critical with respect to the extensive outmigration occurring primarily in North Central states, and the aging of the rural population was viewed as critical in all regions.

Table 6. Comparison of the National Rank Order of the Four Indicators

Importance of Issue (Pre-Conference Survey)	Effectiveness of Programs (Pre-Conference Survey)	Cited as Critical Issue (Roundtable)	Priority for Additional Funding (Roundtable)
1. Employment	10	2	4
2. Education	1	1	1
3. Health	8	4	5
4. Water	7	10	9
5. Agriculture	4		
6. Job Training	1	7	6
7. Poverty	16		12
8. Public Service	5	3*	2*
9. Environment	5	6	9
10. Transportation	15	10	
11. Solid Waste	13	10	11
12. Public Finance	10	9	6
13. Mandates	12		
14. Housing	9		10
15. Growth Management	14		8
16. Land Management	3		
Leadership		7	3
Senior Citizens			12
Changing Population		4	

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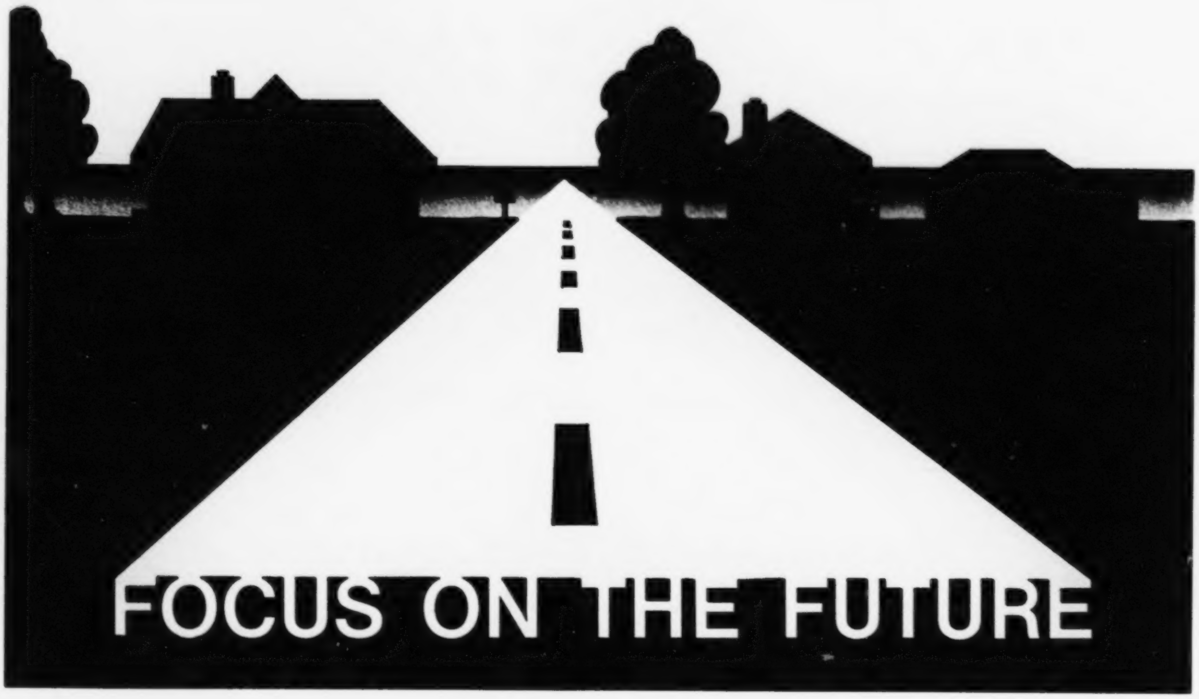
* Defined as infrastructure by workshop participants. It is recognized that infrastructure is not a discrete category as used here because other issues such as transportation, solid waste, and water quality are often included in infrastructure.

Policy Options and Consequences


FOCUS ON THE FUTURE

Income and Employment Policy

William Gillis, Center for Rural Pennsylvania
Dennis Fisher, Texas A&M University
Steve Smith, Pennsylvania State University

Economic problems are pervasive in rural America, and limited job prospects are causing people to leave in search of better economic opportunities. The purpose of this paper is to isolate the most critical rural economic development issues facing the nation and then identify the most needed federal policy interventions.

History of Federal Rural Income and Employment Policy

Federal programs to improve economic conditions in rural communities have a considerable history in public policy. During the 1930s, for example, programs launched under the New Deal attempted to revitalize the struggling rural farm sector. New Deal Programs administered by the Farm Security Administration provided loans to poor farmers to enable them to purchase and maintain their farms. The Farmers Home Administration created during the same era made available low-interest loans to farmers unable to obtain credit through private sources.

Beginning in the 1950s federal rural economic development programs took a broader focus and attempted to encourage the location of industry in rural America through providing low- interest loans, key public facilities, training, and planning assistance. The Economic Development Administration, for example, was established in the 1960s to provide assistance for public facilities projects, job training, business loans, planning grants, and research and technical services in multi-county districts and regions. The Small Business Administration was formed to provide financial and technical assistance to smaller enterprises. While these programs were national in scope benefiting both urban and rural communities, they played an important role in encouraging manufacturing facilities to locate in rural regions.

While the national economy continues to improve, the data clearly illustrates a widening gap between economic conditions in rural counties compared to their urban counterparts.

More recently, the Rural Development Act of 1972 established a variety of programs as well as research to provide for improving the economy in rural America. A main thrust of the legislation was toward creating jobs and stimulating business income in rural areas through loans and credit for rural industrialization. However, interest in funding programs outlined in the 1972 Act diminished throughout the 70s with improving economic conditions in rural communities.

Current Status of the Rural Economy

Once again economic problems in rural America have gained the attention of policymakers. Recent studies such as those undertaken by the Federal Reserve Bank of Kansas City and the Economic Research Service of the U.S. Department of Agriculture have documented existence of a wide range of economic problems in the hinterlands.

Table 1 provides a comparison of employment growth and unemployment rates in metropolitan and nonmetropolitan counties of each of the four major regions of the United

Table 1. Employment growth and unemployment rate, 1979, 1982 and 1984.

Area and Type of Country	Percent Employment Change		Percent Unemployment Rate		
	1979-82	1982-84	1979	1982	1984
UNITED STATES:					
Metropolitan	1.2%	5.9%	5.7%	9.3%	7.1%
Nonmetropolitan	-0.6	3.3	6.1	11.1	9.1
NORTHEAST:					
Metropolitan	-0.6	4.7	6.6	8.8	6.7
Nonmetropolitan	-1.8	4.2	7.0	10.6	8.1
MIDWEST:					
Metropolitan	-4.7	4.7	5.5	11.2	8.2
Nonmetropolitan	-3.9	1.8	5.5	10.8	8.9
SOUTH:					
Metropolitan	5.3	7.4	5.0	8.1	6.4
Nonmetropolitan	0.1	4.1	6.1	11.1	9.3
WEST:					
Metropolitan	4.4	6.4	5.8	9.4	7.2
Nonmetropolitan	3.3	3.7	7.3	12.0	9.8

Source: Herman Bluestone and John Hession, "Patterns of Change in the Nonmetro and Metro Labor Force Since 1979." In *New Dimensions in Rural Policy: Building Upon Our Heritage*, Joint Economic Committee, Congress of the United States, Washington, D.C., 1986.

States during the first half of the 1980s. While the national economy continues to improve, the data clearly illustrates a widening gap between economic conditions in rural counties compared to their urban counterparts.

Critical Rural Economic Development Issues

Despite past national attention, policies and programs aimed at stimulating economic development in rural areas have fallen short of their mark. Reasons cited by policy analysts include the following:

- Failure of rural economic development policy to recognize fundamental changes in the rural economy.
- Old and inappropriate business support infrastructure.
- An inadequate human resource base.
- Dependence upon capital sources which may be inadequate for the changing needs of rural businesses.

An understanding of each of these issues is a necessary foundation for discussion of effective policy options for improving economic conditions in rural America.

Narrowly Focused Policies and Programs

Historically, rural economic development policies and programs have focused narrowly on agriculture and extractive sectors of the economy and on attracting manufacturing industries to rural communities. Of major note is that eligibility requirements for state and federal grants, loans, and technical assistance typically exclude retail and service producing businesses. Public assistance for site development, planning, and training efforts in rural communities typically focuses on manufacturing rather than on emerging growth areas in health care, retirement industries, residential development or main street businesses.

The traditional narrow focus of rural economic development policy preserves the existing economic structure in rural communities and tends to undermine the dynamic evolution necessary to maintain rural economic vitality. Healthy economies are dynamic, allowing enterprises for which there are declining market opportunities to be replaced by emerging new economic opportunities. In today's economy, many of those opportunities are outside of agriculture, mineral industries and manufacturing.

A second major disadvantage of the current narrowly focused programs is that they do not impact a broad spectrum of rural communities. For example, policies focused on locating manufacturing in rural areas are of little value to the numerous smaller, isolated rural communities with limited manufacturing development potential. Strategies such as tourism and recreation development, tapping the community's potential as a residential or retirement center, or development of local home-based businesses are often more appropriate than attempts to attract manufacturing to rural communities.

Old and Inappropriate Infrastructure

Much concern has been raised in recent years over the availability and quality of business support infrastructure in rural America. For example, many of the roads and bridges constructed during the first part of this century were engineered for smaller vehicles than the large tractor-trailer trucks which carry products to and from rural communities today. Water and waste disposal systems are in disrepair or out-of-date in many rural communities. This places a great burden on rural communities by causing expensive repairs and making them unattractive areas for new businesses to locate.

The concern extends beyond traditional infrastructure investments such as highways or sewer and water facilities to include emerging new infrastructure needs. Telecommunication facilities are an example of an emerging new infrastructure need in rural America and an increasingly important support facility for American enterprise. Private telecommunication firms often find it unprofitable to invest in rural areas due to the sparse population base. Rural communities lacking access to key telecommunication technologies will be at a competitive disadvantage in attracting and retaining business and industry.

Sparsely populated rural communities are at a particular disadvantage in financing necessary public facilities and services due to their limited taxing capacity. In many cases, their local taxing capacity has been further eroded in recent years by declines in property values resulting from declines in agriculture, manufacturing and natural resource based industries. A problem of particular concern is the real possibility that rural communities most in need of new investments in business support infrastructure as a means to accommodate a restructuring of their local economy may be the least able to afford such investments.

Rural communities lacking access to key telecommunication technologies will be at a competitive disadvantage in attracting and retaining business and industry.

Lack of an Adequate Human Resource Base

An entire paper in this series is devoted to rural education and training. Education and training is critical to the development of a productive labor force in rural America. A productive labor force in turn is critical to the future competitiveness of rural business and industry.

Human resource development programs supporting rural economic development must go beyond traditional education and skill training. In particular, effective management and entrepreneurship skills are vitally needed by rural residents participating in the economy of the future. The selective out-migration from rural areas has resulted in a shortage of business leaders skilled in the techniques necessary to cope with the difficult and changing rural economy. The relatively small size of rural firms and the preponderance of sole proprietorships have resulted in businesses being managed by single individuals rather than the departments of specialists which characterize the larger urban corporations. The smaller size markets often mean that the necessary specialized business services are not available even on a consulting basis. Business schools and the services of the Small Business Administration and community colleges are not as readily available in rural areas.

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Development of public management and community leadership skills among rural residents is equally as critical for the development and implementation of effective economic development efforts in rural America. While urban communities typically maintain a professional staff to oversee local economic development planning efforts, most rural communities rely on volunteer leaders and part-time staff. The changing economic environment in combination with recent policies shifting additional responsibilities for economic development planning to the state and local levels has increased the need for strong economic development leadership in rural areas.

Capital Sources Which May Be Inadequate

Rural financial institutions have experienced a crisis stemming from the agricultural crisis of the 1980s and the precipitous drop in mineral, timber, and energy prices. Those institutions with portfolios that have included a high proportion of agriculture and natural resource based loans have experienced severe liquidity problems. Cash flow from these industries has been inadequate to service debt, and collateral values have dropped precipitously, making debt restructuring impossible in many situations. This credit crisis and the resulting liquidity problems of rural financial institutions may limit credit availability for important future business and economic development projects.

There remains concern that large nonlocally owned banks may be less responsive to the credit needs of rural farmers and entrepreneurs than locally owned banks. A similar problem associated with the increased concentration of business assets has also been noted. A small scale local entrepreneur is more likely to reinvest in local enterprises in the community while a large nonlocal corporation has a greater tendency to respond to opportunities in other locations. A heavy reliance on outside investment capital may be partially responsible for employment instability in rural areas.

Justification for Federal Role

Economic conditions in rural America have continued to lag behind urban places throughout this decade. The gap between rural and urban economies is likely to grow even wider without significant federal policy intervention to address key issues such as the need to encourage economic diversification, to update old and inappropriate business support infrastructure, to educate and retrain inadequate human resources, and to assure the availability of capital in rural communities.

Clearly, successful programs addressing the critical rural economic development needs require active involvement of state and local governments. However, state and local resources are generally inadequate to deal with the extensive problems facing rural

America. Federal intervention to aid in increasing income and employment can be justified on two primary bases:

- The benefits of many rural economic development programs are dispersed widely across the nation. For example, benefits from a program to improve management skills of rural business people are lost from the rural community or state as business people trained under the program move to another location. Without a federal partnership, programs such as these are likely to go unfunded as state and local governments do not have a clear incentive to fund programs for which their constituencies are unable to capture the full benefits.

- Coordination of rural economic development policy can also help reduce economic waste resulting from competition between states. Public tax receipts are diminished in all states as states provide tax incentives and "give away" programs to attract business and industry. The net impact on business location decisions is minimal as competing states offer about the same incentive packages. Only strong coordination at the federal level can overcome the problem of wasteful competition between states.

Federal Income and Employment Policy Options

Federal rural economic development policy intervention options addressing the changing needs of rural America include four broad categories:

- Providing financial support for educational and technical assistance programs enhancing production and entrepreneurship skills, management capacity, and leadership abilities of rural residents.
- Expanding eligibility requirements and focus of rural economic development programs to support a broader range of business and industrial development opportunities than are supported by present programs.
- Providing financial support to aid communities in developing an appropriate mix of business support infrastructure.
- Utilizing federal regulatory powers and direct financial assistance to ensure entrepreneurs access to adequate capital for starts and expansions of rural enterprises.

A brief analysis of the potential beneficial impacts of each of these policy intervention options for rural economies is provided below.

Broaden Focus of Current Rural Economic Development Programs

Effective rural economic development policy must recognize the diverse needs of rural communities by supporting a broad range of economic development opportunities. These opportunities extend beyond the traditional farm policy and industrial recruitment and could be supported through broadening the focus of federal programs. Specific examples include but are not necessarily restricted to the following: targeting federal procurement dollars for businesses in rural areas; identifying and developing foreign markets for rural-based businesses; providing tax incentives, grants and loans to stimulate development of new retail and service businesses in rural business districts; supporting research to develop new products and markets from resources available in rural areas; and broadening eligibility requirements of economic development programs to include export-oriented service businesses.

Expanding the focus of rural economic development programs will encourage the diversification of rural economies into emerging growth opportunities and will result in federal assistance reaching a broader range of communities than are helped by present federal programs.

Provide Financial Support for Development of Appropriate Business Infrastructure

The federal government has traditionally played a major role in financing key infrastructure facilities and services in rural areas including highways, roads, bridges, sewer and water facilities, and industrial sites. As noted earlier, there is a need to expand the federal role to include emerging new business-support services such as telecommunication facilities.

Facilities and services such as these are necessary but are not sufficient by themselves to promote rural economic development. A wide variety of other factors are equally important, including access to markets and key inputs, availability of labor with needed skills, availability of capital, and effective community leadership. If other key factors of production are not in place, construction of highways, sewer and water facilities, or industrial sites will do little good. On the other hand, when other factors necessary for economic success are present, an inadequate infrastructure base can seriously hamper economic development.

Due to the costly nature of infrastructure facilities and the fact that the benefits of such infrastructure extend beyond the rural area, federal assistance is needed to help rural communities make the necessary infrastructure investments to support rural economic development.

Due to the costly nature of infrastructure facilities and the fact that the benefits of such infrastructure extend beyond the rural area, federal assistance is needed to help rural communities make the necessary infrastructure investments to support rural economic development. Discussion of specific policy options is deferred to a companion paper in this series addressing policy considerations for the finance of rural public facilities and services.

Provide Financial Support for Rural Human Resource Development

Human resources are the key to a strong rural economy. Rural businesses require a productive labor force. Business management and entrepreneurship skills play an important role in supporting the start of new rural businesses as well as the retention and expansion of existing ones. Community leadership skills are necessary ingredients for effective local economic development planning.

Unfortunately, rural communities and states often lack the necessary financial resources to expand educational and technical assistance programs designed to enhance production and entrepreneurship skills, management capacity, and leadership abilities of rural residents. Furthermore, the incentive for localities and states to finance human resource development programs is limited by a recognition that the benefits of such programs are often lost from the locality or state as people move from the area. Consequently, significant inroads into solving the quality and availability of human resources in rural areas is unlikely without federal cost sharing for education and technical assistance programs.

Improve Access to Financial Capital for Starts and Expansions of Rural Enterprises

Financial assistance to rural enterprises through loans, direct grants, and tax subsidies have historically been an important part of federal policy to encourage development of business and industry in rural communities. Federal financial assistance programs administered by agencies such as the Economic Development Administration and the Small Business Administration are needed to support economically sound ideas of rural entrepreneurs unable to obtain business development capital from conventional sources. Current eligibility requirements for federal programs should be broadened to include business development opportunities in the rapidly growing service sector.

Many rural financial institutions, community development groups, and business people do not utilize available financial assistance programs simply because they are unaware of them or they find the rules and regulations too complicated. Technical assistance to both rural communities and businesses is necessary to ensure effective implementation of federal financial assistance programs.

In addition to direct financial assistance, federal regulatory powers over financial institutions can be utilized to improve access to business development capital in rural areas. For example, existing regulations need to be modified to accommodate the short run liquidity problems of small rural banks affected by economic problems in agriculture and energy industries.

Need for a Federal, State, and Local Partnership

Federal rural economic development policies must be broad based and flexible in order to recognize the diversity that exists throughout rural America. Towards this end, active and coordinated partnership among the federal, state, and local levels of government is required.

State and local governments are better able than the federal government to identify specific economic development needs and opportunities for their rural regions. However, state and local governments typically lack the necessary resources and the incentive to finance critical rural programs. Consequently, the most important role for the federal government is that of providing financial support for key business infrastructure, strengthening the capacity of rural human resources, and filling rural credit market gaps. Without a committed partnership between federal, state, and local governments in rural economic development, significant progress in improving economic conditions in rural America is unlikely.

The most important role for the federal government is that of providing financial support for key business infrastructure, strengthening the capacity of rural human resources, and filling rural credit market gaps.

Response to Income and Employment Paper: Northeast Region

Nancy DuBosque
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Greenville, Massachusetts

Rural economic development is, at the very least, a large collection of hungry chameleons. There is not only a wide variety of rural sector issues, but also an even wider variety of external factors feeding and nurturing these issues. Often the results are unwanted change, lack of stability, and even the need for us to gather here today to unmask some of the roots causing the faltering rural economy in the Northeast.

My economic development work takes me into the 26 towns of Franklin County in western Massachusetts. Of these towns, 21 are strictly rural, two are rural-industrial, and three are more or less urban and face small city development pressures of their own. My primary objective is to stimulate rural growth and development through the use of community development block grant funds. These funds in the form of business and industrial loans and in-depth technical assistance services have assisted over 90 area businesses, generated over $10 million in local investment, and helped to create 238 full and part-time jobs, all in the last eight years. This may sound impressive, but it is only a drop in the bucket towards a comprehensive, stabilizing development strategy for this target area. A critically important parallel effort must be made to retain this new and growing economic base or we face the real threat, as we did over a decade ago throughout the Northeast, of runaway industry and widespread business failure and shrinkage. The two primary means for doing this are (1) developing the work force to satisfy the needs of business and industry and (2) developing the communities to support the work force.

> **Rural policies -- both at the national and local level -- need to address not just job creation and retention, but the ability to fill these jobs with a qualified work force.**

I wholeheartedly support the assessment and suggestions put forth in the Gillis paper with one exception. I feel strongly that Massachusetts through its community development block grant programs has made excellent use, barring occasional bureaucratic snafus, of the federal block grant program. Incentive programs such as Urban Revitalization Development Grants, Community Development Action Grants, the Massachusetts Small Cities Program, the Main Street Program, and economic development set-aside programs, as well as quasi-public agencies ranging from community development finance corporations to a Massachusetts government land bank, should be held up as examples of ways to productively use federal funds and creatively design the use of the funds while still continuing to meet federal guidelines.

It is understandably difficult to design a national rural policy to meet the specific needs of every economic region. The block grant system, if directed specifically to meet rural needs, can do so through broad national objectives. In addition, Massachusetts has state-funded incentive programs that could be used as examples to be replicated elsewhere. They include an incentive aid program to improve municipal management capacity, a strategic planning program, and an economic development feasibility program that builds the capacity of local municipalities to respond to the issues that they are constantly facing. Focusing on issues of income and employment, rural policies -- both at the national and local level -- need to address not just job creation and retention, but the ability to fill these jobs with a qualified work force. The unemployment rate in Massachusetts is down to just over 3 percent, but this is misleading. The new and revitalized job market is full of low-paying jobs located primarily in a growing service sector. If we are to attract business and industry that will provide higher paying skill jobs in the Northeast, we must have the capacity to supply the work force and supply it locally. Vocational training centers, schools, job training agencies, and private industry need to be supportive in stepping up programs to train and retrain both the young and older worker. We must develop policies that create communities where the locally employed can afford to live. More specifically, our policy should reflect the creation and maintenance of affordable housing. This is a critical need that looms larger every day. Increasingly, rural communities within tolerable distance of high employment centers are becoming bedroom communities. The local labor force is slowly priced out of local employment target areas. Massachusetts businesses and industries that are not located in or near urban centers cannot fill the jobs necessary to keep the business viable. In fact, those in urban centers are having the same problem.

To sum up, the core problem facing income and employment in the rural Northeast is lack of support for the working community and the community that is underemployed. Solid, reliable jobs and opportunities for advancement in the work force will exist only in the capacity of the community to fill those jobs. With some fine-tuning, our existing incentives to attract business to the Northeast should continue to work as long we can provide a strong, skilled work force that can afford to live here. Programs such as community land trust models that are cropping up nationwide and proving to successfully alleviate the pressures of overpriced housing can be studied more carefully and incorporated into policy. Local community enterprise funds or regional enterprise funds that are being explored nationwide should be supported through legislation and appropriation primarily as a complement to public funding sources to serve small and new innovative rural businesses. Training directed particularly to the entrepreneur or self-employed person is also very important. In all of these cases, a strong partnership must be created between the private and public sectors. Policy that creates incentives for cooperation between local and regional financial assistance and educational institutions to address and meet these needs must be developed. Only then can the planners, the community, industry, and the investors succeed in providing decent income, quality employment, and a comfortable standard of living within our rural economy.

Solid, reliable jobs and opportunities for advancement in the work force will exist only where the community has the capacity to fill those jobs.

Response to Income and Employment Paper: Southern Region

John L. Bruner II, Executive Director
Cumberland Valley Area Development District
London, Kentucky

The paper that was just presented does a good job of reciting the history of rural development and enumerating options for policy. But I believe we must specifically identify and *delineate* policy recommendations.

The Rural Regional Communities Task Force of the National Association of Regional Councils recently developed a "Statement of Principals" that established two major goals: First, "preservation and maintenance of the existing rural community way of life." Second, "enhancement of economic stability and growth potential." The attainment of each of these goals is directly related to the availability of jobs and/or income in rural areas.

For any rural policy to produce a positive impact, it must be based on the belief that a rural existence is a reasonable and viable alternative to urban dwelling. Statistically, 75 percent of the U.S. population resides in urban places. Many times, the federal idea of a solution to the problems of the rural population is to move the people to the cities. That 25 percent rural statistic does not mean much to me or to many of you here because 100 percent of the population of our areas lives in rural places. And we live there because we want to.

Just so you can appreciate where we are coming from, let me tell you a little about our area. We are located in the Southeastern corner of Kentucky bordering on Tennessee and Virginia. We are in Appalachia. We have 240,000 people spread through eight counties along the head-waters of the Cumberland River. We dig a lot of coal and grow a little tobacco. With the coming of Interstate 75 and assistance from the Appalachian Regional Commission and the Economic Development Administration, we have been able to develop infrastructure to encourage development of some manufacturing and tourism jobs.

The '80s have tended to stagnate the economy as the federal administration has essentially withdrawn from the partnership and thus implied rural non-farm areas are not important.

During the '40s and '50s, our area--like most other rural areas--suffered a serious decline in population as people migrated to the cities in search of jobs. The late '60s and '70s saw a reversal of that trend as the developments I just mentioned, along with the existence of a federal-state-local partnership, improved employment opportunities in the area. The '80s, however, have tended to stagnate the economy as the federal administration has essentially withdrawn from the partnership and thus implied rural non-farm areas are not important. The fallacy of the Administration's attitude is that rural areas *are* entitled to share in the dynamics of the nation's economy. Our area was for a very long time known as the area "where the mountains kiss the bluegrass." Well, today, our mountains don't kiss anybody's grass!

I would like to suggest at least three federal policy positions to improve the potential for development of jobs and income in rural areas:

1. Create a Department for Non-Agricultural Rural Development.
2. Identify and create multi-state economic development regions.
3. Resume planning for the future.

Create a New Department

The federal government should consider creating a new department to handle rural development issues and policy. This department would stand shoulder-to-shoulder with the Department of Agriculture and the Department of Housing and Urban Development. It could be called the Department for Non-Agricultural Rural Development or perhaps the Department of Infrastructure and Rural Development. To do this, the domestic agencies of the federal government would have to be reorganized to remove non-agricultural rural programs from them and place the programs in the new department. Agencies such as the Small Business Administration and the Economic Development Administration would have to be revamped to separate the urban and rural programs. Farmers Home Administration programs would be split, agriculture/non-agriculture. Non-agriculture programs would be moved to the new department as would small cities programs from HUD and infrastructure financing programs from the Department of the Interior.

The formation of such a department would provide a badly needed distinction between agricultural and non-agricultural programs for rural areas and help eliminate some criticism of such "rural" programs as SBA loans to the old American Motors or Farmers Home housing in Milwaukee.

By drawing such a distinction between urban/rural and agricultural/non-agricultural, the non-agricultural rural employment and income needs could be directly addressed. It should also provide greater efficiency in agency handling of urban and agricultural programs.

Multi-State Economic Development Regions

The entire United States should be organized into sub-national regions of common economic conditions using the model of the Appalachian Regional Commission, the Ozarks Region, the Coastal Plains Commission, and the newly formed Lower Mississippi Delta Development Commission.

The income and employment policy paper points out the difficulty of discussing economic problems on a national basis. "An emerging new infrastructure need in rural America is telecommunications facilities," according to the authors. Well, it may be in *some* areas of the country, but not in ours. There is an inherent flaw in every domestic program in this country: each is designed to address a national need. There are very few *national* needs but many needs in the nation. Telecommunications may be a tremendous problem in Erich, Oklahoma, but it is no problem in Mt. Vernon, Kentucky.

The entire United States should be organized into sub-national regions of common economic conditions using the model of the Appalachian Regional Commission, the Ozarks Region, the Coastal Plains Commission, and the newly formed Lower Mississippi Delta Development Commission.

To create a program to solve the telecommunications problem in today's process is to see the money spread all over the nation, some of it even going to where it is needed. A much saner approach would be to make telecommunications an eligible activity, along with all other infrastructure; provide the regional commission an appropriation; then allow that commission to address the problems of that region.

The great success of the Appalachian Regional Commission has been achieved not because it had large amounts of money to spend, but because it was able to target the available dollars to the real problems of the region.

Resume Planning for the Future

One area of the income and employment policy paper with which I fully agree is the need for strong economic development leadership in rural areas. Fortunately for the rural

South, planning and development districts exist wall-to-wall and have persisted through this recent period of rural economic development darkness. The direction of the APDC's, LDD's, COG's, ADD's or whatever your local organization of counties is called, changed little during this period. The need to identify local problems, package programs, coordinate local officials, and stretch limited funds for development has continued as in the past, though financial assistance did diminish. Although the direction of the districts remained fairly constant, the activities of boards and staffs changed dramatically.

Boards have gotten stronger and staffs more capable as a result of more direct involvement in economic development project implementation. Many of the district boards are now able to provide direct funding to a project. Most are operating revolving loan funds to provide gap financing, primary financing, and interest write-down. Many have single-family home loan mortgage programs, and some have direct-grant and bond-funded loan programs for infrastructure. Virtually every development district in the South can today provide a high level of financial packaging service for economic development, thus making available a service to every rural area of the South comparable to service available in any urban area. In most instances the leadership available in the rural South outruns the available capital.

In conjunction with the regional commissions, the area-wide planning and development organizations should be encouraged and funded for regional planning. The federal government should be a full-faith partner in the planning and development of rural areas.

As I make these recommendations, I recognize the odds against us. But I sincerely believe that being a resident of a rural area is not something to be ashamed of. I believe rural areas are entitled to a share of the pie and that strengthening rural areas strengthens the nation. I believe that employment provides the wherewithal for all economic activity. It is time for the federal government to develop a realistic policy toward non-agriculture rural development and help us help ourselves.

Response to Income and Employment Paper: Western Region

Ed Meyer, Director of Rural Development
Utah Department of Business and Economic Development

My first comment in response to the paper on income and employment is relative to widening the focus of federal programs to economic development. I agree that there are many emerging areas that we need to address, such as the service industry. I simply would like to offer just a little bit of a caution. I have seen a major shift in economic development policy towards saying we need to focus on a lot of the service industries. I want to make sure that we do not overreact in that area and have the pendulum swing too far in the other direction. We need to remember that manufacturing does still have a place in those areas, and we need to focus on whatever the greatest potential is in the rural areas. Some communities are being encouraged to shift to industries that may not really have a significant potential. In Utah, for example, many people are being told that tourism is the wave of the future and is the direction they need to go. Yet there are many communities that do not offer the class of tourism that really is necessary and do not have the facilities to support that tourism. On the other hand, a lot of communities are also being encouraged to go into these areas when they have manufacturing resources that they could apply. I encourage us to make sure that as we develop these focuses, we do not swing too far in the other direction.

Relative to infrastructure, I agree with everything that the author said, but I hope that we can make sure that we target our infrastructure. Most of us are aware that during the '70s we built a lot of industrial parks in the rural areas of America, and many of them are sitting empty. Certainly that was an attempt to provide an infrastructure to improve economic development, but I hope that we can focus on those areas that do have potential for the future.

Human resources is probably the one area that has the greatest potential to impact economic development in the rural areas. In Utah, we have many communities in isolated locations that are being successful in economic development. Leadership is the critical issue toward that end, and I encourage any efforts that we can make to improve the leadership potential. We will have a challenge, however, in identifying who is a leader in the community and how we can keep that leader within the rural area. We also are going to have some challenges defining whether we really can impact the quality of that leadership. Designing those programs is going to be an important consideration.

> **Human resources is probably the one area that has the greatest potential to impact economic development in the rural areas. Leadership is the critical issue toward that end, and I encourage any efforts that we can make to improve the leadership potential.**

We are encouraging entrepreneurs and have been surprised in Utah to find that we have hundreds of new start-ups in business in the rural areas. At the same time, we are having even more business failures. Assistance in that area would be very useful. We have many Small Business Development Centers that have been supported by the Small Business Administration to help provide that assistance, but I have a concern about funding. In some instances those programs are underfunded. It almost would be better not to have them funded than to provide inadequate service. I also question whether academia is in the best position to provide those kinds of services.

Capital formation is a critical area in rural America. I was a little concerned that the emphasis in the presentation was heavily on the banking community. It is an area that needs to be reviewed to see how we can help them. Some of the areas we feel that we should be addressing in Utah relate to technical assistance for the banking community. I was glad to see those being addressed. Many of our banks do not have officers who are experienced in commercial or industrial lending, so it is going to be important to provide technical assistance. With many of the emerging technologies, our banks -- not just in the rural areas but in the state in general -- may not have the ability to make good credit decisions, so there may be some need there to provide technical assistance. It is important that we consider the entire rainbow of investment and the entire rainbow of risk, all the way from seed capital to take-out financing, and make sure that any programs that are designed in those areas take that into account. It is also important to remember that we cannot separate management from capital formation. Many decisions that are made by the banks probably should be made because the people coming in to make presentations do not display themselves as good managers. Any programs that are developed in that area need to be a marriage of management and capital formation.

Probably my greatest divergence with the income and employment paper relates to what the roles of federal government should be. I agree that all of the existing federal programs need to be re-evaluated to make sure that they are sensitive to the needs of rural Utah. In the instance of industrial revenue bonds, the shift to allow them only for manufacturers is a de facto shift of the applicability for industrial revenue bonds to the urbanized areas because of the fact that manufacturing has less potential in the rural areas. That does make sense, but I seem to hear the author saying that we need to expand the focus of the federal government into a whole variety of different programs. My feeling is that the federal government is probably involved in too many programs already. As they develop a program, I feel very uncomfortable that in the western United States we cannot have the impact in establishing the criteria for those programs that we need. The eastern block states will have the major impact in developing those criteria, and the final product will be less than what we desire. I do support re-evaluating existing programs and making them more applicable to the things that are happening in the rural economies, but I do not support expanding the focus of programs at the federal level.

As we make our presentation to the federal government, it is important that we focus our presentation and our request on those things that will have the greatest impact in the rural areas. In Utah, I am seeing an explosion of people and organizations interested in helping in rural economic development, but I am not seeing a lot of coordination. People are going in divergent directions. One of the things we should look at before we go and ask the federal government for assistance is what we can do with our existing resources. Our utilities, our efforts in leadership training and helping people with economic development strategies, our universities and colleges are all resources that we need to tap more effectively. Before we go to the federal government, I would encourage us to handle some of these things internally so that our requests can be more reasonable and more focused rather than asking for the moon and for the government to cover everything.

I do support re-evaluating existing programs and making them more applicable to the things that are happening in the rural economies, but I do not support expanding the focus of programs at the federal level.

The income and employment paper suggests that there are many areas in which the state will not respond because the investment is not worth the state's time and money if, for example, rural leaders leave and go outside state boundaries. I do not think that is the truth. As a state government, we tend to look at our responsibility for the people in the rural areas and to develop programs without considering whether the federal government is going to back us up. I think that the states are perhaps a little more responsible than may have been suggested in the paper.

In conclusion, I do not think it is irresponsible to suggest that perhaps the federal government should give us money and let us use it the way we think it should best be used. We have talked about the divergent needs in the rural areas and the fact that we need different strategies in different areas. Just as we have a community development block grant fund that allows a certain amount of state and local discretion, perhaps we should have something along the lines of an economic development block program. This would be more effective than many of the things that are happening, and we could have a greater impact by tailoring the use of those funds to our local needs. I would encourage that this be a marriage between local and state governments. Sometimes state government has to be a necessary evil. As you look, for example, at utilization of community development block grant funds, those funds have been invested wisely in some cases and unwisely in others. It is important for the state to assure the quality of such investments. In addition, it is important for the state to assume a role in making sure that we work together. In programs at the local level, we do not always look for ways that we can work together on joint projects. The state can serve a role in helping us in that area. While I strongly support the suggestions and the needs identified in the income and employment paper, I would encourage us to have less federal government involvement and more local discretion.

> **I am seeing an explosion of people and organizations interested in helping in rural economic development, but I am not seeing a lot of coordination. People are going in divergent directions.**

Financing and Providing Rural Public Services

David L. Chicoine, University of Illinois
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A vital rural America requires that demanded local public services are accessible to individuals, agriculture and rural businesses in an affordable fashion. Local governments responsible for meeting service demands must have adequate financing, active leadership and administrative capacity, and an efficient structure.

Some rural regions are experiencing significant changes in their resource-based economies. These changes are eroding local tax bases. Other regions are wrestling with problems of urban spillover and rapid growth in public service demand. These changing conditions complicate the challenge of providing adequate public services in rural public economies typically characterized by low population density, below average incomes, part-time volunteer public officials and large numbers of small governments.

Rural local public services range from purely local public goods, such as sheriff and police protection requiring collective provision and general tax financing, to merit goods, such as primary and secondary education in which public responsibilities for provision and finance vary substantially from state to state, to public enterprises such as water service in which consumption is individual, exclusion is possible and fee financing is an option. Public facilities or infrastructure contribute to the production of these services. The adequacy of the public's capital depends on the quality and quantity of rural public services and not solely on the physical condition of the facility. Standards of adequacy should not be applied to capital infrastructure but to the public services the capital helps produce.

Few smaller governments are now involved with federal assistance. One estimate is that less than 6,000 of the 36,000 general purpose rural local governments now receive federal funds in any one year for any purpose.

This paper identifies basic principles for federal involvement and alternative federal policies to assist states and their rural local governments in effectively meeting rural public service demands. For this discussion, local public services exclude the major public assistance programs, even though local governments (particularly counties) in some states help with their financing. These issues are dealt with in a companion paper on rural poverty. Based on equity and efficiency considerations, the general assessment is that the financing of income redistribution programs be primarily a federal responsibility, with assistance from state government. Removing the burden of income redistribution programs from local tax bases in all states would free-up resources for local public services.

Policy History and Principles of Federal Financial Aid

Fiscal relations between federal, state and local governments cut across the distinct periods of intergovernmental relationships in the United States that have characterized the post Great Depression years. Until the 1980s, increased federal intergovernmental financial aid was the norm. During the 1960s a national interest and authority was asserted in a wide range of governmental activities previously considered part of the private sector or relegated to the domain of state and local government. Examples are federal initiatives in local law enforcement and elementary and secondary education, both previously the province of local governments. These New Frontier/Great Society initiatives were accompanied by an explosion of federal categorical grant-in-aids and a major policy focus on urban and poor America. The percentage of all federal aid occurring to urban areas increased from 55 to 70 percent during the decade.

In the 1970s the vision of intergovernmental policy relationships changed with emphasis on decentralization and a greater recognition of the critical role of local governments in setting service levels to reflect local demands. Federal interest in environmental issues as a national concern emerged with new financial assistance and federal standards. Federal grant-in-aids to state and local government grew rapidly as General Revenue Sharing was adopted, categorical grants were consolidated into block grant programs and new environmental grants funded.

The "new federalism" of the 1980s is described as a reversal of the historical trend of centralization and national government expansion in the domestic public economy and a restoration of greater authority and responsibility in state and local government. In 1982, aid to local governments declined for the first time since the 1930s and there has been a continued consolidation of categorical grants into block grant programs with the overreaching goal of reducing the federal presence. In 1986, General Revenue Sharing lapsed. Federal intergovernmental assistance continues under downward pressure as the nation struggles with a large federal budget deficit.

The federalism context of alternative policies for federal fiscal assistance to state and local government shows a history of categorical, block and general-purpose grants. Federal payments to state and local governments service a variety of objectives. They purchase services from the state-local sector similar to the way purchases are made from private vendors. Based on efficiency arguments, categorical grants, with matching or local maintenance-of-effort requirements, are used to induce recipient local governments to provide higher levels of aided services than otherwise because a significant proportion of the benefits spill out to the nation as a whole. The grant-in-aid ensures external benefits are reflected in local decisions setting service levels and that the costs of the service are shared according to the distribution of benefits. Historically, federal categorical grants to the state-local sector for which spillovers have been the major justification are grants for highways, health, education, employment training and the environment.

A practical problem that has faced most federal categorical programs is excessive matching rates which exceed spillover benefits. This has resulted in less stimulation and the substitution of federal aid for state-local funds. Recent research suggests a dollar's worth of categorical grant stimulates $0.38 of additional state and local public service expenditures.

Consolidation of similar categorical grants into block grants with no matching requirements and fewer restrictions on the use of funds is at odds with the objective of stimulating higher levels of spending for selected services and results in even lower additional spending on aided services. A dollar's worth of block grants stimulates only an estimated $.20 additional state-local public consumption expenditures. Block grants are an expensive form of general-purpose fiscal assistance.

Another goal of federal intergovernmental aid is to address fiscal disparities among states and localities and to promote a more equitable distribution of state-local fiscal capacities. Federal intervention is warranted when disparities threaten the efficient operation of the economy or are viewed as inconsistent with generally held standards of fairness. Differences in fiscal capacity will lead to unequal treatment of citizens with identical incomes solely because of their location.

Consolidation, and in some instances even elimination of jurisdictions, is often proposed as a cost-saving measure. Unfortunately, savings available from such action often would be small, and much of those savings would be offset by increased travel costs of residents.

Equity considerations are implied in propositions that all citizens should have access to minimum levels of public services or that they should bear comparable tax burdens for comparable levels of services, regardless of geographical location.

Fiscal disparities among states and localities also tend to create distortions in private economic choices. Fiscal disparities that foster differences in tax rates and service levels which in turn induce locational choices that are non-market based result in inefficiencies and a general negative economic impact.

General-purpose grants, such as the recently terminated General Revenue Sharing program, are the most efficient form of intergovernmental aid to mitigate fiscal disparities. The policy issue is whether or not state-local fiscal disparities are serious enough for federal intervention assistance. The federal role in addressing disparities among states is clearer than among local governments. Local differences are shaped by decisions of states on geographical boundaries of localities, the assignment of service responsibilities and restrictions on revenue-raising authority. Because of the failure of states to respond, however, strong pressures for remedial actions by the federal government are unavoidable.

Rural localities and their local governments participated in the general expansion of federal assistance in the 1960s and 1970s and in the decline in the 1980s. The major federal financial assistance programs made available to small general purpose governments since 1965 are (1) Rural Public Facilities Loans and Grants, Farmers Home Administration [1966 - current], (2) Public Works Grants, Economic Development Administration [1966 - current], (3) General Revenue Sharing, Department of Treasury [1972 - 1986], (4) Wastewater Construction Grants, U.S. Environmental Protection Agency - administered by states [1972 - 1987], (5) Small Cities Community Development Block Grants - state administered since 1982 [1974 - current] and Urban Development Action Grants [1978 - current], Department of Housing and Urban Development, and (6) Comprehensive Employment and Training Act, Department of Labor - administered by states [1974 - 1981]. Other federal funds, such as for elementary and secondary education and highways, may find their way to rural localities channeled through state governments. While most of these programs are still active, few smaller governments are now involved with federal assistance. One estimate is that less than 6,000 of the 36,000 general purpose rural local governments now receive federal funds in any one year for any purpose.

The reliance on part-time, non-career, volunteer public officials limits the management capacity of local governments serving rural localities.

Current Situation

The responsibility for meeting local public service demands in rural America while dealing with changing economic and federal fiscal policy environments rests with a local governance structure and fiscal system characterized by substantial diversity from state to state, yet, a structure that shares some common characteristics. The common features inherent in rural local government are small population and organizational size with significant reliance on part-time citizen volunteer public officials who both set policy and carry out programs. This structure limits continuity in administration as elected volunteers turnover frequently, and it also limits leadership and management capacity as compared to larger governments with elected policymakers who have less direct involvement in the management of public enterprises, services and programs.

The rural local government sector is large (about 53,000 separate units or about 64 percent of all local governments) with rural residents receiving service from several overlapping jurisdictions -- a county, a township, a municipality, one or more school districts and several special districts. The formal pattern in each state differs, but patterns are similar among states because states borrowed from each other as they created their governmental arrangement. One array that gives some order to the diversity is to categorize rural local governments into (1) those frequently serving essentially open-country with authority overlapping other units (Midwest townships and rural counties fit this category), (2) incorporated municipalities providing urban-type services to rural trade and employment centers, and (3) special service districts, including school districts, that have restricted authority and provide services ranging from elementary education to flood control to roads to libraries to fire protection.

Consolidation, and in some instances even elimination of jurisdictions, is often proposed as a cost-saving measure. Unfortunately, savings available from such action often would be small, and much of those savings would be offset by increased travel costs of residents. Schools, the largest source of local expenditures, have undergone continuous consolidation during the past three decades.

The financing of rural local governments is as varied as their organization. Diversity characterizes the vertical and horizontal allocation of spending responsibilities and revenue-raising authority, complicating policy development at the federal level. Some states assume major responsibility in directly providing local services. Other states have financing responsibilities, and in still other states, local governments are assigned significant service responsibilities and revenue-raising authority. Decentralized responsibilities and revenue systems generally imply greater dependence on property taxes.

Because of the mobility of people and the contribution of schooling to national economic growth, the benefits from investments in local schools spillover to the entire nation.

The overall character of state/local public finance systems is determined by the financing of schools, because of the overriding significance of school spending in state/local public economies. The property tax and the system of local government in America evolved together and are so closely related that a change in one has major implications for the other. This is particularly the case in rural America where local revenue diversification through user fees and access to income and sales taxes is limited because of low population density, limited effective demand for fee-financed services and thin nonproperty tax bases. These conditions increase the vulnerability of rural local governments to economic changes and significant redirection in federal grant policies. The vulnerability varies by type of local jurisdiction, with rural schools, counties and townships more exposed to property tax base changes. On the other hand, rural municipalities, with more diverse revenue authority and urban-type service responsibilities, are more directly exposed to federal grant policy changes. However, the loss of General Revenue Sharing funds fiscally stressed most rural general purpose governments.

Public service provision in rural regions has been always constrained by low population densities, low incomes and restricted governance capacity. Low population density increases the per unit cost of many services in rural localities. But, broad-based reorganization and rural government consolidation to lower costs and improve performance may not yield substantial gains. Higher costs stemming from low density offset lower costs from large-scale production. The spatial separation of governments also limits service contracting and other innovative delivery schemes.

Low incomes in rural areas may result in insufficient demand for many public services, even though provision at a higher level would represent a net gain to society. The reliance on part-time, non-career, volunteer public officials limits the management capacity of local governments serving rural localities. Trained professional staff, a common attribute in larger jurisdictions, are essentially absent in rural America and the short tenure of part-time officials restricts administrative continuity and the build up of public management skills and capacity.

The challenges of providing local public services in rural America are exacerbated by the changes taking place in farm and rural economies in the Midwest, the South and some Western states and by the boom conditions in adjacent-to-urban areas in the Eastern and Western coastal regions. In those regions struggling with a rural economy slowly recovering from the last recession, shrinking property tax bases and the loss of General Revenue Sharing funds accompanied by, at best, limited declines in demands for local public services has put upward pressure on rural tax rates, increasing the tax effort in rural regions. Many Midwestern, Western and Southern rural governments face long-term decreases in their tax bases, and farm property tax bases in these regions are not likely to recover to the real values of the late 1970s. Real reductions in public spending in these regions are highly likely as local taxpayers resist significant local tax rate increases.

Reductions in federal aid to states indirectly impacts rural governments by increasing the demand for state revenues to replace lost federal funds, limiting the ability of states to assist rural localities as they adjust to the new economics of rural America.

Analysis of poverty levels of local government services has shown the tie between increases in federal aid and reductions in the extent of poverty of local public services, particularly public elementary and secondary education. This suggests the reversal in federal assistance will plunge more county areas into public service poverty and result in a widening of the gap between the poor and the rest of the nation in access to public services, particularly primary and secondary education. The danger is that these cutbacks will foreclose opportunities for future generations, severely mortgage the future of many rural areas, and limit their ability to be vital components of the national economy.

Critical Issue

While economic efficiency and fairness provide a strong case for some federal action to address benefits enjoyed by those outside the tax jurisdiction, fiscal disparities and the unique conditions in which demanded rural services must be provided argue for a federal policy that should be neutral regarding the organization of rural governments and the system used to meet service demands. Given the great diversity in the structure and finance of local government, fiscal assistance to accommodate benefits enjoyed by those outside the tax jurisdiction and fiscal disparities should not discourage needed rural government reorganization and creative arrangements for financing and providing demanded services.

For rural economies, the most critical underfunding will likely be in primary and secondary education.

The policy issue is not the revenue available to rural governments, but rather the quality and quantity of local public services accessible to individuals, agriculture and rural business. Services should be provided through a local public economy that accommodates economic realities and can accommodate both economic growth and economic decline. Federal assistance should not be a "safety net for rural governments," but accommodate the efficiency and equity principles underlying federal financial assistance in an effective manner.

Critical in this regard, for example, is the appropriate design of matching requirements for categorical aid programs seeking to redress the misallocation of resources caused by benefit spillovers and to increase the provision of selected services. Past shortcomings on this note have resulted in failed policy, the substitution of federal aid for local funds and limited stimulative effects. Effective federal financial assistance that accommodates benefit spillovers from rural public services needs to distinguish problems that are nationwide and spillovers that are national in scope. For example, all localities demand local sheriff and police services. Financing these services are a nationwide problem, but they hardly have benefit spillovers of national consequence. Conversely, because of the mobility of people and the contribution of schooling to national economic growth, the benefits from investments in local schools spillover to the entire nation.

For policies redressing fiscal discrepancies, there needs to be neutrality with respect to local government structure. The amount of assistance should not depend on the number or type of local governments supplying services in an area. The objective is equality among individuals in regards to access to fiscal capacity, not uniform expenditures for services.

Tax effort and spending levels will vary reflecting the preferences and tastes of residents for local public services. Assistance to redress fiscal disparities needs to be designed to encourage the following:

- Needed rural government reorganization to balance rural local public sectors with economic realities.
- Creative arrangements for providing and financing demanded services.

Federal Policy Options for Rural Public Services

The principles for federal financial involvement indicate a strong national economic interest for federal assistance to rural local governments. Four general policy options are presented, each addressing a particular aspect of assisting rural local governments to contribute to a vital rural America. The first option considered is for no new initiatives to be taken.

No New Federal Initiatives

Conceptually, without federal assistance to redress benefit spillovers, rural local governments will underprovide these services relative to desired national levels. For rural economies, the most critical underfunding will likely be in primary and secondary education. No financial initiative in the environmental area will remove the federal government from involvement here. Rural governments will continue to be under federal mandates for waste water treatment, the protection of ground drinking water supplies and solid waste management. The absence of federal assistance may spur state programs to help localities accommodate the federal mandates. Otherwise, the options are few and local jurisdictions will in all likelihood attempt to finance the higher service levels (that reflect benefit spillovers) with their own source revenues. This may result in lower levels of other services being provided. Mandates without financial assistance forces local consumers to pay for national benefits.

Mandates without financial assistance forces local consumers to pay for national benefits.

No new federal initiative to redress fiscal disparities will likely increase the number of localities deemed to be below the poverty line for local public services and increase the number of people that do not have access to a level of services judged to be minimal and fair.

Accommodating Benefit Spillovers from Rural Local Services

The federal government should assume responsibility for paying for that part of rural local government services that provide national benefits, not local, and require service levels or performance criteria. Of particular significance are the environmental services from waste water treatment facilities mandated by the federal clean water act. Categorical grants with appropriately designed matching requirements and funding ceilings should be considered. In the past, categorical grant systems have been inefficient and cumbersome and have provided no incentive for higher local spending. Low matching requirements that required funding ceilings to limit federal budget exposure have not provided the needed local incentive. Resurrecting old programs will not be sufficient. New targeted administratively efficient initiatives are needed. Income sensitive grant levels should be considered to compensate for weak local demands caused by low incomes in rural areas.

Compensatory Aid to Disadvantaged Rural Areas

Federal compensatory aid could be provided through a general-purpose grant to rural areas that are unable to provide minimally adequate service levels because of a lack of fiscal capacity and the higher service costs incurred in low density service areas. To overcome the problems of accounting for the diversity in local service responsibilities and revenue authority among states in the design of federal assistance programs, a program of general-purpose targeted rural fiscal assistance could be provided to state governments. States could custom design the assistance to address local fiscal disparities in substate rural regions. The objective would be to reduce fiscal disparities among county areas and move toward equal per capita treatment among rural and other county areas, rather than to reduce disparities among rural local governments. The amount of aid to a state would be the total aid to rural county areas. The program should be designed to provide incentives for warranted state actions as well. Rural fiscal assistance should target areas with the most restricted fiscal capacity taking into account uncontrolled costs of service responsibilities.

The importance of public elementary and secondary education and the difficulties facing the rural public economy in this area suggests that states could be encouraged to give particular consideration to rural education in administering the rural compensatory aid program. For example, the high cost of providing special educational programs, such as those for math and science, in low population density rural areas could be partially defrayed.

Local Government Organization and Management Capacity

Federal policies could encourage states to evaluate the current structure, service responsibilities, revenue authority, fiscal capacity and management capabilities of local governments serving rural areas. Local government systems serving rural America are creations of states, and strengthened state-local relations and local government capacity are essential. States could, therefore, play a leadership role in any restructuring of local governments and in improving management capability. Federal incentives to form agencies similar to the U.S. Advisory Commission on Intergovernmental Relations in each state is one way of facilitating the provision of needed technical and management assistance and information on the condition and performance of rural governments. Critical in the mission of these organizations is the evaluation of the structure and performance of governance systems providing essential services in rural areas and the improvement of rural public management skills.

Conclusion

Rural local governments are facing significant financial stress as they adjust to reduced fiscal capacity and less federal intergovernmental aid while facing traditional problems of serving jurisdictions with low population density and relatively low incomes. Opportunities to temper the adverse impacts of rural economic changes and incorporate the energies and initiatives of rural local governments into building vitality into rural America are facing federal policymakers. Options for federal policies emerge from concern for economic efficiency and equity related to benefit spillovers of locally provided services and fiscal disparities and the unique conditions that complicate the financing and provision of adequate public services in rural areas. A successful federal rural development strategy must incorporate options to strengthen the local government sector of rural America. Federal policies to balance the fiscal position of rural elementary and secondary education are of critical importance to the future of rural areas and rural people. This is a priority area of concern.

> **Federal rural development strategy must strengthen the local government sector of rural America. Federal policies to balance the fiscal position of rural elementary and secondary education are of critical importance to the future of rural areas.**

Response to Public Services Paper: Northeast Region

Ralph Tabor, Legislative Director
National Association of Counties

I am pleased that we are spending time during this session discussing the basic public services that have to be provided in rural counties and small towns and cities. Many times we get involved in developing rural programs and forget that the basic services provided by local governments are the keystone to where we want to go in so many other programs. Considering the times we have gone through during the last 10 years, it would be very important for any report that is coming out of these workshops to remind Congress of where we have been in terms of our intergovernmental partnership and how much less federal aid local governments are receiving today compared to 10 years ago.

About a year and a half ago, the Congressional Research Service did a study on the federal budget and its implications for state and local government. They were looking on both the expenditure side and the tax side. They recently updated that report and re-issued it. Some of the findings are very interesting. In 1980, for instance, total federal aid to state and local governments in current dollars was $91.5 billion. It is projected in fiscal 1989 that these current dollars will be up to $119 billion. However, we really have two different kinds of aid that are included in those numbers. We have aid that is going for individuals in health programs and income security programs, and we have funds that are going to states and local governments for all kinds of purposes. If you look at the breakdown of those figures, it shows that programs for individuals during that period increased 7.7 percent but all other programs for state and local governments actually declined by about 1 percent. Much more significant, however, is the fact that if you look at these programs in terms of constant dollars, we have had overall an annual 5.3 percent decrease during that 10-year period. And again, it shows up in terms of the payments for individuals during that period. Even constant dollars went up about 3 percent. But all these other programs that states, counties, and local governments are so dependent on had an annual 5.3 percent decrease. It is very important that Congress be reminded about that.

> **We have to have education and job training involved in a comprehensive rural development plan if it is really going to mean something.**

If I have any objection to the public services paper presented earlier, it probably comes down to option 3. Perhaps the authors and I really do not have that much disagreement. In option 3 they are talking about a targeted fiscal assistance program that would go to states and then be reallocated to local governments. I do not see any need for any of these funds to go through the states. Our problem with this would be that it would replace other state-aid programs. It is difficult to monitor state maintenance of efforts regarding requirements that might be included in the legislation, and it is difficult to enforce it. We have a bill that many of us in state and local government have worked on very closely during the last two years to refine and get the targeting down so that it would be a credible bill in Congress. This bill was introduced last year, went to committee, and then stopped there. This legislation was going to authorize $1 billion -- only a quarter of what we had in the General Revenue Sharing Program -- and provides a two-step allocation process. First of all, the funds would go to states and allocation would be based on population, taxable resources, and employment figures on a state-by-state basis. We never had that in the Revenue Sharing Program. After the money is allocated to the state area, then you go back on population, taxes and per capita income -- relative per capita income. This is what makes this formula so sensitive to very needy communities. In effect, if a town is 110 percent of what the state average would be on relative per capita income, they would be out. They would not get any money. Remember all the criticism against Congress a few years ago about very rich, affluent places like Beverly Hills receiving money. They would not get a dime under this program. In fact, most of the money would be going to rural local governments. The number of governmental recipients would be about 12,000 nationwide compared to 39,000 under the General Revenue Sharing Program. The other interesting thing about this legislation is that for one quarter of the money we had in General Revenue Sharing, we could make most of the recipients under this program equal about 75 to 85 percent of what they were getting under the old program. I have taken time explaining this because I want all of you to understand that we have not been sitting idly since we lost revenue sharing but have been trying to come up with something else. It is clear that if you are going to sell anything to the Congress, it has to be tightly targeted. I think we have a vehicle now that a lot of us can work around. Maybe further refinements can be made.

We have conditioned our support for a block grant administered by the states on two conditions: (1) states must put some of their own money on the table, and (2) local government officials must be involved in policymaking.

In regard to my objections concerning states reallocating funds to local governments, there are a couple of possibilities. One is that you can put a provision in that would allow the state legislature to come up with a new distribution formula if they want to do it. We had that same provision in the General Revenue Sharing Program. In 14 years not one state legislature touched the formula. The other possibility, and it is real, is that if the states want to come up with some matching money, then we could make it a 50-50 grant program that would allow them to come up with their own allocation program. NACO's viewpoint and the view of many other local government groups is that states have a key role in rural development, particularly in economic development. However, we have conditioned our support for a block grant administered by the states on two conditions: (1) states must put some of their own money on the table, and (2) local government officials must be involved in policymaking. If we are going to have a statewide economic development strategy or regional economic development strategies, we want to be a player. We do not want just a bunch of state bureaucrats deciding what is going to happen to our rural counties. If we have those two things, we are ready to support a very strong state role. The same thing applies regarding targeted fiscal assistance through the states. If we really have a serious proposition that some money is coming on the table, then we have no problems talking about the states playing a role.

I would like to review some of our efforts this past year to put together a rural development bill in the Congress. State and local governments quite frankly did not get together on how we were going to approach it. We had a severe problem with the action being in the Senate Agriculture Committee, which has very limited jurisdiction and cannot get into many of the areas that all of us would consider to be central parts of a rural development bill. But we also had something else. I have been in this intergovernment game for over 20 years, and it reminded me of the early '70s or the late '60s. We had a strong case being made by private nonprofit organizations to have a meaningful role in some of the grant money that was going to be put up, particularly in capacity building. We had a lot of discussions going back and forth, and we finally got some weak language in the bill about consultations between the community-based organization and the appropriate local governments. If we get into this battle next year, that is not going to be sufficient. Some of you are coming from community-based organizations, and I do not really want to see us refight the battles of the '60s and '70s. It is in all of our interests to come to some agreement that there has to be accountability for any organization receiving public funds, and it has to fit in with whatever else is happening in that area. We have to work out some arrangement with private and nonprofits that have an important role in so many aspects of rural life. If we start getting into capacity building, then we will have a limited amount of dollars. Instead of being able to use those dollars to hire good professional people to help us with economic development, we will have to spin it off to some community-based organizations that primarily provide water services or health services and are now going to get into economic development. It is going to cause problems.

If we are going to get a bill through this next Congress, it is critical that we have a comprehensive bill. I mentioned before the limited jurisdiction of the agriculture committees in both the Senate and the House. If we are going to come up with something meaningful for local government, it has to involve the tax writing committees. In that way, anything that might be done with targeted fiscal assistance can be part of the package. It is critically important that the discussion include treatment of tax exempt bonds, how they are being issued, how we can use them, and pooling arrangements that are particularly important for rural governments. We have a lot of rural governments that have never issued a bond. They are not going to get into that particular market to meet their construction needs unless we can come up with some new arrangements, and some encouragement has to be there. The tax writing committees have to be involved. Education, labor in the House, and the labor and public welfare committees in the Senate have to be involved. We have to have education and job training involved in a comprehensive rural development plan if it is really going to mean something. That has not happened up to this point.

My conclusion is that all of this discussion is not going to come to anything unless Congress and the new President really face up to the budget deficit. It is clear that any kind of credible reduction plan will have to have new revenues. That may not please some of you. My organization made the conclusion two years ago that the most important thing in terms of not only our economy but also our intergovernmental partnership -- if there is anything left of it in this country -- is that we have to come up with additional revenues. If we do not, we are not going to be talking about any new initiatives and that is particularly true for rural development. We will just continue to watch those numbers go down, and 10 years from now we will come in talking about our decline continuing another 5.3 percent a year.

Response to Public Services Paper: Southern Region

George Israel, Former Mayor
Macon, Georgia

Restructuring is occurring and has been occurring in rural America since the 1930s. It has been brought on by a number of factors including farm mechanization, economic fluctuations from the Depression, World War II, industrialization, the post-World War II shift from military production to domestic production, and the mobilization of America via vehicle ownership. One of the big problems we have seen in rural America has been overproduction. There has been an extremely efficient agricultural system that is producing about 20 percent of demand. All of this creates problems for those who are still left in rural communities.

What I would like to convey to you is my absolute belief that we are entering a new era or a new dispensation that threatens to leave rural America behind. From the context of human history, we have been through essentially three eras or periods: the Prehistoric Period, the Agrarian Era, and the Industrial Revolution. I do not know what the economists or the sociologists or the historians are going to call the period we are now in, but clearly something is changing. This change is characterized by a technological revolution that is occurring in almost every field -- computer science, robotics, communications, transportation, medicine and health, electronics, animal and plant molecular biology, materials engineering, and on and on. There is no field that is not being touched by this revolution. Another characterization of this period is a restructuring of the world economy, which means that in "Small Town, U.S.A.," the banker is more concerned or as concerned about monetary values as perhaps someone would have been in only New York City 20 years ago. Today those rural communities are competing in a world economy. A third characteristic is a social-political revolution that is worldwide in scope and has manifest itself primarily in the United States, particularly as we move more to a pure participatory democracy.

Property taxes are an ancient, outdated, antiquated, unfair way to raise revenue to finance local government.

I have hit on three very broad subjects to set the stage for us to make some good conclusions. First of all, the most important ingredient in effective management of a local government is good leadership -- leadership that has vision; plans; looks at trends and causation of problems; understands markets, human resources, market linkages, transportation, natural resources; develops a strategic goal for a community; stops and gets the support for achieving those strategic goals; and then turns it over and sees that the tactical plans are carried out. When we look at local government financing, I always split it into two categories: (1) operating resources or the financing of services and (2) capital resources. Any local government without adequate levels of these two resources is going to be in trouble very quickly. Local resources or a mix of local and state resources should provide the necessary operating resources. In most communities the revenue sources to provide financing of services can be divided into three broad areas: property taxes or ad valorem taxes; income taxes or sale taxes or a mix thereof; and permits, franchise fees, user fees, and license fees. One area that has not been fully developed is user fees, and my experience with most local government officials is that they are moving rapidly to try to bolster this particular revenue source. The concept that I have seen emerge is that of the public-private partnership and privatization of some of the services that local government performs. The concept is that financing can be more easily done on a user-fee basis and that the private sector can achieve economies that a local government cannot. Having come from serving 12 years in local government, I do not contest that fact.

Now let me say something about property taxes. We always think we are dealing with givens and that we are always going to have property taxes. I don't believe this. Property taxes are an ancient, outdated, antiquated, unfair way to raise revenue to finance local government. I know that is a statement that is very much to the point, but let me explain. One, property taxes have no relationship to the ability to pay or real economic value. Two, they are value-oriented rather than income-oriented, which creates a great deal of hardship. An example might be a widow who is left with a piece of property but cannot afford to pay the taxes on it because she has nothing but a social security income. Third, less than 50 percent of the people in this country today own property and actually pay property taxes. Now you may say that some people are paying this through their rent. That is true but they do not know it. I have seen studies like one from Emory University that show property taxes can, in many cases, be more regressive than even a sales tax. We cannot go back to the federal government and expect them to fund the potpourri of categorical and block-grant programs that we enjoyed in the 1960s, '70s, and even the early '80s. It simply is not going to happen. Any of you who were there waging the battle year after year trying to keep revenue sharing alive know that program has no constituency within the Congress and is not going to be reenacted. That is a flat statement that I will make. I would steer us to begin looking at an alternative. The majority of the wealth in this country is not in real estate and land. It is in financial instruments. In the 1800s when 93 percent of the population in this country was engaged in agriculture and made their living from the land, maybe property taxes were fair. Income was tied to the land or could be maximized by activities upon that land. But today when the majority of the wealth in this country is invested in cash, CD's, commercial paper, stocks, bonds, mutual funds and insurance cash value, it is ludicrous to have property tax carry the burden it is today. I am one of those that thinks perhaps the federal government, since it has retracted, should stay right where it is. What is needed is a complete tax reform across the nation, state by state. As the federal government pulls back and tax rates drop dramatically, the state should seize the initiative for programs and local aid. Something needs to happen to help our state legislators recognize that local government is a creature of the state and that the state is in fact our parents and Sugar Daddy, not the federal government.

It seems like funding from the federal government has not been efficient except for the redistribution of wealth in some poor states. I have seen studies that show that for every one dollar we send to Washington, as low as 40 percent comes back. I also have seen it as high as 80 percent with revenue sharing. It has not been effective. Many times the categorical grants were designed with one community in mind. UDAC funds were designed for the Northeastern big cities. For a small city to get a UDAC grant, they were going to strike out because the grants were designed for cities like Detroit, Boston, New York, Philadelphia, and Pittsburgh. If you want to go back to that, I would urge you to consider the problems you had with it. How did it kick you out? It was a simple little item that was called pre-1940 housing. I can tell you that in the South we have very little pre-1940 housing, and if we had it in our community, we needed to tear it down. We did under urban renewal and a lot of local programs. Therefore, we did not qualify for those programs. There is always going to be a Congressman or a Senator who is going to figure a way to get that money into his state or his district to benefit his constituencies. That is what is wrong with some of the federal programs. They are not as effective as they could be. With federal aid comes mandates, red tape, and all the strings attached. In fact, when I was mayor for eight years, I felt like all roads did not lead to Rome but led instead to Washington, D.C. I had to go there two to three times a month. You know how often I would go up to my own state capitol? About three times a year on business, if that gives

We should begin state by state to refashion the way that we tax and then allow those states, state by state, to distribute the money back to the local communities.

you any indication. All that needs to be reversed, and it is simply not going to happen. So I would advance the idea that state governments should seize the initiative and capture this valuable wealth and revenue base within this country.

We should begin state by state to refashion the way that we tax and then allow those states, state by state, to distribute the money back to the local communities. The states could do that. They could recognize and encourage good leadership. They could have a plan for development and require a development plan from local governments. That's the biggest problem with federal funding; they do not require a plan. It's just money. I never will forget when we got a call in Macon at the end of the fiscal year, and the government through the Department of Transportation was trying to give away categorial grants for bikeways. We had some bikeways, but I got interested in how somebody lobbied to have money in a categorical grant for bikeways. Do you know where it came from? The bicycle industry. It was not attached to need -- to what was needed in rural America or urban America or suburban America. Instead, a constituency group was able to lobby and get that money appropriated for bicycles. Incidentally, that Congressman was from a town that had a big bicycle factory. By requiring a plan for development, the state could take responsibility for encouraging efficiency in local government and efficiency in education. It would open whole new vistas that would help us get the job done not only in rural America but urban America as well.

By requiring a plan for development, the state could take responsibility for encouraging efficiency in local government and efficiency in education.

Response to Public Services Paper: Western Region

John Tontz, County Commissioner
Douglas County, Washington

Is there life after federal revenue sharing? About six years ago those of us in local government experienced the loss of federal revenue sharing. Most of us dedicated this source of federal revenue to our police departments and to parks and recreation. In Douglas County, we have a very large park program. Our annual budget for parks and recreation is some $400,000. Most of our federal revenue sharing was dedicated to that. Needless to say, after we lost revenue sharing, parks and recreation had a real problem, so we ran a levy. Fortunately, the first year it passed and we were able to carry on our program. The second year it failed. The grass grew; we could not fertilize. We had all the problems that go along with no maintenance. In talking to city and county officials throughout the United States, the loss of federal revenue sharing was a real problem for everyone.

We are still experiencing a decline in rural farmlands plus a real problem with cities annexing major tax bases in our counties. These high tax bases are needed to cover the expenses that are mandated by the state and federal governments. We must continue to provide these services -- law enforcement, tax assessor, auditor, and all of the offices that go with county government. Yet, we continue to lose these tax bases. In Douglas County, we have had to cut back considerably. In our prosecutor's office, for instance, all we have is the prosecutor and a secretary. When the prosecutor is in Superior Court, we have some real problems. Our county is not alone. Many small counties throughout the United States are having these problems as our farmlands decline and our tax income decreases.

> **We are still experiencing a decline in rural farmlands plus a real problem with cities annexing major tax bases in our counties. These high tax bases are needed to cover the expenses that are mandated by the state and federal governments.**

So what do we do? How are we going to help this in the years to come? First, the farm credit program needs to come up with a different formula. We all know that it works on peaks and valleys. What we need to do on the farm credit program is come up with some level media to eliminate the peaks and the valleys. I was recently appointed chairman of the Farm Credit Subcommittee of the National Association of Counties. Some new formula in the farm credit system is something you will see coming down the pipe from NACO.

We also need to devise a different formula for incorporating areas from the cities to the counties. Maybe we need to come up with a different formula for eliminating some of these small cities. In our county, we have a town of about 1,700 people that is the second richest town per capita in the state of Washington. East Wenatchee has a very large mall and a heavy tax base, but it has only seven road miles. Douglas County has 1,760 county road miles. The East Wenatchee law enforcement budget is $425,000, and the Douglas County law enforcement budget is $450,000. The city of East Wenatchee offers two services: law enforcement and a street sweeping crew. The immediate urban area outside of East Wenatchee has a population of 18,000 people, and we as a county must provide all of the other services for this urban area. In the case of such a large tax base, there needs to be a new formula that will allow cities to share some of that tax money with the counties for the services that the counties provide. Or perhaps we should change our laws so that counties can charge these incorporated areas for the services they provide.

I am an apple orchardist, and today is a great time for me. Hopefully, Jose will have all the apples picked when I get home tonight. I have talked with other commissioners in Nebraska, Iowa and across the United States. We looked at the dairy buy-out program of the federal government. Did that raise the price of milk? Did that raise the price of butterfat for the dairy farmer? No, you can go to the market today and buy milk cheaper than when we had the dairy buy-out program. What did it do, though? It hurt the hay farmers; it hurt the beef farmers. The federal government has to look at these buy-out programs. In our county, some of the farmers got into the CRP, the wheat buy-out program. If you were over 50 years of age, you should have gotten into it. You could retire, and many of them did. Many of them put their marginal land into CRP, and this hurt rural America. The CRP program in small communities throughout the United States has certainly affected rural America. Look at the apple subsidy, a program with which I am very familiar. The federal government has an apple subsidy program that buys fruit for school systems. Last year it cost $6 a box to go to the warehouse to pack a box of apples. The federal government offered $5.25 delivered in Seattle or Spokane for apples. In my opinion, the federal government was helping the apple growers go broke. They could have at least picked up our packing costs. We feel that it costs $9 a box to grow a box of apples. Now I am going to throw out a big one. I think we must look at the elimination of the Chicago Board of Trade. Let us get back to supply and demand.

There needs to be a new formula that will allow cities to share tax money with the counties for the services that the counties provide.

Rural Health Policy

Sam M. Cordes, University of Wyoming
Thomas A. Bruce, W. K. Kellogg Foundation

The notion of "rural health" can be defined in a variety of ways depending largely on how one chooses to view health. For example, if the interest is in health status, then legitimate areas of concern include nutrition, hereditary characteristics, life style, health care services and public health measures such as chemical pollutants, sanitation and water quality standards. If the interest is in health care services, then the terrain is much narrower. Even then that field is still broad, because health care services include medical and dental care, plus the clinical care that is provided by nurses and other professionals at home, in hospitals, and in long-term care institutions.

Much of today's rural health concerns focus on accessibility to a fairly basic set of medical and nursing services. This paper will emphasize the needs, issues, and policy options available to the federal government in the delivery and financing of these basic services.

History of Rural Health Policy

The myth that rural residence is the bastion of strong and healthy people, both physically and mentally, was questioned long ago. In 1862, President Lincoln's Commissioner of Agriculture described the high incidence of insanity and respiratory disease among farm people, noting that the longevity of farmers "is not as great as we might suppose."

The federal government did not become an active participant in the health care arena, rural or urban, until the early part of the twentieth century. Many of the federal government programmatic initiatives in health care that have been particularly helpful for rural areas have not been targeted toward these areas. On the other hand, there have been several federal programs that have been designed exclusively for rural areas or a particular rural population.

The federal government's role in rural health is to ensure that all individuals, regardless of place of residence, are entitled to reasonable access to a basic set of health care services.

One of the first federal initiatives that was helpful to rural areas was the Sheppard-Towner Act of 1921. This act contributed to the strengthening of rural county health departments by providing federal grants to the states for maternal and child health services. Today, the largest source of federal health funds channeled to the states is through the public health department block grants for preventive services and for maternal and child care.

Perhaps the most remarkable health service program directed specifically at low-income farm families was initiated by the U.S. Farm Security Administration, forerunner of today's Farmers Home Administration. In the 1930s and 1940s, this program provided loans and grants to families to enroll in prepaid medical care plans that provided physician, hospital, and sometimes dental and drug services. In 1942, the peak year, these subsidized local health insurance plans served over 600,000 persons in 1,100 rural counties.

The National Hospital Survey and Construction (Hill-Burton) Act of 1946 was not designed exclusively for rural areas, but had the effect of channeling billions of dollars into the construction or modernization of rural hospitals. Many of today's rural hospitals owe their existence to this particular piece of federal legislation.

During the 1960s and the heyday of the War on Poverty, Medicare and Medicaid were passed. Medicare was designed for the elderly, and Medicaid was a federal-state partnership targeted toward the poor. Both programs provided public funds to help pay for medical services. Because rural areas have a disproportionately large share of the elderly and poor, these programs were particularly helpful to rural populations.

Providing the rural elderly and poor with an insurance subsidy is, of course, useless if medical services are unavailable. Hence, a number of federal programs were put in place in the 1960s and 1970s to expand the supply of professional provider services. Again, many of these programs were especially helpful to rural areas, although they were not exclusively targeted toward rural concerns. One example was the tremendous federal subsidy for medical education that began in the early 1970s. Along with the growth in the overall supply of physicians came growing concern over their geographic distribution; this led to the establishment in 1970 of the National Health Service Corps (NHSC). Selected physicians, dentists, nurses, and other personnel were given financial support for their professional education and "repaid" this support by agreeing to practice for a certain number of years in federally-designated "underserved areas." Typically, such areas have been located in inner cities and in rural areas.

NHSC personnel are often located in federally supported Community Health Centers (CHCs). The CHC program provides funds for establishing and maintaining primary care facilities and services in many underserved areas. A separate federal initiative provides basic medical services to the migrant farm worker population. Together, the migrant and CHC programs now provide services in about 1,000 rural communities.

The federal government's commitment to improved access to services appears to be waning. Today, the overriding federal concern seems to be cost-containment. It is obvious that the two social objectives of improved access and cost containment are potentially diametrically opposed.

Two sub-sets of the rural population are served by health care systems that are owned and operated by the federal government, in contrast to the more common approach of providing incentives and subsidies to private providers and consumers. One subset is served by the Veteran's Administration (VA), which operates hospitals, clinics, and other facilities for thousands of urban and rural veterans and their families. The other is the Indian Health Service (IHS), an entity that has been in existence since 1849. The IHS consists of 51 hospitals, 124 comprehensive ambulatory centers, and nearly 300 smaller health stations.

The above enumeration of relevant programs is not inclusive. For example, the Area Health Education Centers movement started in 1972, and the Rural Health Clinics Act became law in 1978; both have proven to be invaluable rural resources. Without describing these and other relevant programs, three observations are in order:

- It is apparent that the historic thrust of the federal government's involvement in health care has been directed toward improving access to services. Rural areas have benefited in two ways: from several programs that included both rural and urban populations, e.g., Medicare; and from several programs targeted specifically toward rural populations or underserved areas, e.g., the NHSC.

- Efforts by the federal government to improve access, whether in rural or urban areas, can take on two distinct forms: demand-oriented or supply-oriented. Medicare and Medicaid are examples of demand-oriented programs in which individuals are subsidized in their purchase of medical services. With the supply-oriented approach, the federal government focuses on stimulating the supply of services. Examples include the NHSC and the CHC programs. Two very different mechanisms are incorporated into the supply-side approach. The most common mechanism involves the transfer of resources by the federal government to qualified state and local entities to provide services. The other mechanism is typified by the IHS and VA health system, with centralized federal ownership of the delivery system.

- The federal government's commitment to improved access to services appears to be waning. Today, the overriding federal concern seems to be cost-containment. This change in emphasis is grounded in the reality that the national debt has become a major problem and that national health expenditures, public plus private, have mushroomed from $75 billion in 1970 to $458 billion in 1986. Currently, expenditures for health care exceed 10 percent of the nation's gross national product.

It is obvious that the two social objectives of improved access and cost containment are potentially diametrically opposed. Efforts to improve access ordinarily increase health expenditures; cost containment by its very nature tends to restrict access. In today's environment of cost constraints, the achievements of better health services for rural citizens seems at increasing risk. The major demand-oriented initiatives such as Medicare and Medicaid have such broad constituency that they probably are less at risk than some of the supply-oriented initiatives that have been geographically targeted and particularly helpful to rural areas, e.g., the NHSC.

Current Status

A number of indicators point to a very serious set of health problems and resource needs in rural areas. Examples include the following:

- A greater incidence of chronic conditions in nonmetro areas in comparison to metro areas, and greater disability effects associated with such conditions.
- A higher infant mortality rate in nonmetro areas than in metro areas.
- A greater proportion of the population rate their health as "fair" or "poor" in nonmetro areas than in metro areas.
- A smaller physician-to-population ratio exists in nonmetro areas than in metro areas.
- The proportion of the poor who are covered by Medicaid is much lower in rural areas than in urban areas.
- A substantial proportion of the nonmetro population is without health insurance.
- A substantial proportion of the rural population is without "a regular source of care."
- Selected health status indicators among rural Blacks, migrant farm workers, and those living in rural Appalachia and on Indian reservations are comparable to what is often found in developing countries.

It should not, however, be concluded that every indicator points to greater problems and needs in rural areas, e.g., the incidence of acute conditions tends to be somewhat higher in urban areas. Finally, one must be aware of the inherent limitations in rural-urban comparisons. For example, suppose the use of hospital services is comparable for the rural and urban populations. This does not mean the rural population is adequately served unless one also assumes that (1) rural and urban needs are identical and (2) all urban needs are being met. Perhaps it would be more sensible to simply say that rural areas have certain needs that are not being met, and then not worry about whether the level of misery in rural areas is less than or greater than that found in urban areas.

Critical Issues

Among the health care issues most critical and urgent for persons living in rural areas are the following:

- The financial viability of hospitals.
- The training, recruitment, and retention of providers -- especially primary care physicians and nurses.
- The development and enhancement of nontraditional arrangements and resources for delivering care. Examples include improved linkages and networking among providers and the effective use of physician assistants and nurse practitioners.
- The impacts of medical liability and malpractice.
- The resolution of occupational health problems. Examples include occupation-related injuries such as farm accidents and problems with pesticide and insecticide use among farm workers.
- The adequacy of emergency medical services.
- Access to care even when services are available. Barriers to access include poverty, lack of insurance, and transportation.

Justification for Federal Role

The rationale for government involvement in the financing and/or provision of health care is based on market imperfections, equity considerations, and rural development interests.

Market Imperfection

Most goods and services in our economy are produced and exchanged in a "free market" framework. This framework leads to reasonably acceptable levels of performance but is also predicated on the notion that certain critical assumptions are met. In the case of health care, many of these assumptions do not hold. One such assumption is that consumers are fully informed and are "in-control" of the purchases: in health care, the balance of decision-making is skewed toward the provider. A second assumption is that the effects of one person's action or inaction does not affect others: many types of medical services (e.g., inoculations to contain the spread of communicable disease) do not meet this criterion. Another assumption is that producers or providers are competitive. Although the health care industry has become increasingly competitive, it still fails to meet fully the assumption of competitiveness -- especially in rural areas where a single hospital or physician may represent a local monopoly.

Equity

Equity considerations are related to what a society views as fair or just. The American public is concerned when some individuals in need experience anxiety, pain, or death because medical services are not provided. Also, to the extent good health influences an individual's ability to compete in the labor market, those who have better medical services will have an advantage over those less fortunate. This lack of an equal opportunity to compete on an equal footing violates another tenet of American social justice.

Rural health services help attract and retain both businesses and community residents. One consideration involves the fact that labor productivity will be low in a community where health status is low.

Not all states and localities are equal in terms of their ability to finance and/or administer public programs. In addition, states and localities may have an inherent vested interest in keeping services at a low level. Specifically, if states or localities provide a very comprehensive set of services, this may invite the migration of the sickest and poorest, with increases in the tax burden for the local citizens. Or, local residents may migrate from the state or locality, and with them goes the investment that has been made by the local taxpayers.

Rural Development

A third reason why the federal government may have a vested role in rural health care is that the federal government is presumably interested in rural development. Health services fit into the rural economic development scheme in two ways:

- Rural health services help attract and retain both businesses and community residents. One consideration involves the fact that labor productivity will be low in a community where health status is low. Second, the absence of quality medical services may encourage the outmigration of residents and/or discourage the inmigration of residents and company employees.

- Rural health services are a source of employment. For example, the local hospital is often the largest employer in a rural community and much of this employment is generated by income that does not already exist within the community. For example, communities with a high proportion of elderly will be a net importer of federal Medicare revenues. Additionally, a facility often attracts patients (and, hence, revenue) from beyond the boundaries of the local community. Extreme examples of this situation are (a) highly specialized facilities located in rural areas, e.g., large-scale tertiary facilities such as the Geisinger Clinic in Danville, Pennsylvania, and (b) small rural-based alcohol and drug rehabilitation centers that cater to the urban elite.

Policy Options and Consequences

Those concerned about the federal role in rural health care can pursue several different policy options:

- The federal financial contribution to health care programs could be increased.
- Rural areas could be targeted for a larger share of the existing federal health care contribution.
- The federal government could help to restructure the American health care systems to increase efficiency and effectiveness.

Increasing the Federal Contribution

Given today's political climate, the notion of increasing overall federal health care expenditures will meet stiff opposition. Increased expenditures require either a tax increase or reallocating resources from other federal programs such as national defense or agricultural programs. Even so, given the health lobby and the increasing number of politically active elderly, this option should not be taken lightly. Indeed, a major new federal initiative to cover catastrophic illness and home health care has had strong public support, as members of Congress know only too well. Although rural areas will benefit from an overall expansion of federal expenditures, this represents, to some extent, a trickle-down approach. It seems doubtful that rural health care would improve relative to urban care.

Increasing the Rural Share

An alternative to increasing federal expenditures for health care is to increase the proportion of existing federal health care expenditures that go to rural areas. Two subcomponents of this general strategy exist.

- *Demand-Oriented Programs.* Of chief concern here is the Medicare and Medicaid programs. Medicare pays urban hospitals much more than rural hospitals for providing the same services. Similarly, rural doctors are usually paid significantly less for their services than urban doctors, despite the lack of any evidence documenting appreciably lower costs for rural practice. Federal policies, as a result, provide strong financial incentives for physicians to locate in urban areas. The problem with Medicaid is somewhat different. This federal-state partnership has created an irrational patchwork of variations in eligibility and coverage from state-to-state and between rural and urban areas. For example, a major component of Medicaid focuses on persons eligible for Aid to Families with Dependent Children (AFDC). In many states, AFDC eligibility is limited to single-parent families. Because single-parent households are much more common in urban areas than in rural areas, a greater proportion of the rural poor are denied benefits.

> **Medicare pays urban hospitals much more than rural hospitals for providing the same services. Similarly, rural doctors are usually paid significantly less for their services than urban doctors, despite the lack of any evidence documenting appreciably lower costs for rural practice.**

- *Supply-Oriented Programs.* The rural share of federal health care expenditures could be increased by expanding supply-oriented programs, especially those programs that are targeted to rural and underserved areas. Examples include the NHSC, the migrant and CHC programs, AHECs, the IHS, the Rural Health Clinics Act, and federal support for family practice residency training.

Restructuring Health Care

For the most part, the previous two policy options -- increased federal spending for health care and increasing the rural share of federal expenditures -- do not focus attention on fundamental issues associated with how services are organized, financed, and delivered. Hence, a third policy option is to have the federal government show greater concern, involvement, and commitment to these more fundamental issues -- in both rural and urban areas. Such an approach may release resources that are not currently being used in an optimal fashion. For example, millions of federal dollars are expended each year to reimburse Medicare and Medicaid recipients for tests and procedures primarily intended as a means to avoid potential malpractice suits. Hence, if a reasonable solution can be found for liability, these funds can be rechanneled to meet genuine health care needs. Listed below are examples of the types of initiatives that may generate greater efficiency in the use of our health care resources.

- More emphasis on health promotion and disease prevention, eliminating need for many costly treatment programs. Inexpensive health promotion services can be provided in schools, worksites, community agencies, local hospitals, and clinics.
- Greater attention to leadership training for citizens about health care concepts and issues. Groups that better understand the problems they are dealing with are empowered to develop more effective solutions. The Cooperative Extension Services of our nation's land-grant universities are a potential resource for this service.
- Increased volunteerism in community health action; volunteers are vastly underutilized in health education and community outreach.
- More public/private coalitions to develop innovative new health care initiatives.
- Greater reliance on nurse clinicians, physician assistants, clinical pharmacists, and community outreach workers as cost-effective ways to provide care, especially in sparsely populated areas.
- More emphasis and creativity in solving transportation problems. For example, in rural areas, school buses and other public vehicles are often underutilized and

could conceivably be made available to transport needy citizens to clinic sites.

- Continued experimentation with better means of financing health care, including prepayment programs and bargaining for group-care services.

Summary and Priorities

Four final observations need to be made about the federal role in rural health policy:

- A carefully articulated federal rural health policy has not yet been developed. During the past year an Office of Rural Health has been established within the U.S. Department of Health and Human Services, and a National Advisory Committee on Rural Health has also been established. Hopefully, rural constituents will use these two vehicles to generate both a clear-cut and a comprehensive strategy for providing services in our rural communities.

- If a federal rural health policy were to be developed, it should not try to avoid the most fundamental question of all: How do we, as a society, view health care? If some basic level of health care is to be viewed as an entitlement for every American regardless of place of residence, then an expanded role for the federal government is a necessity. Specifically, many rural areas simply do not have the population base or income to support even a basic set of services. Parenthetically, this is true also of rural postal services, but for over 200 years the federal government has subsidized these services. One policy option is to have the federal government fund and/or operate rural health services in all rural areas that cannot financially support such services.

- Federal health policy and federal rural health programs must recognize the tremendous diversity that exists within rural America and the fact that the diversity among rural areas dwarfs the diversity among urban areas. For example, rural health problems in the South are largely due to rural poverty. In the rural West, poverty is not the overriding issue, with the notable exception of the Hispanic and Native American populations. Instead, the problem is one of sheer distance. The tremendous diversity among rural areas also argues for an increased federal commitment to research. The overriding research question is: What works where? The federal government is in the process of funding rural health research centers, an initiative which is long overdue but which even now needs more adequate resources.

- In pursuing federal policy for rural health, it is essential that a balanced approach be taken between the supply-oriented and demand-oriented approaches. In urban areas, the main problem is lack of financial resources to access services that are geographically available. In rural areas, the problem often is one of simple unavailability of services, coupled with problems of poor families who do not have the resources to access whatever services do exist.

Potential Priorities

In a fundamental sense, highest federal priority should be given to a clearly articulated rural health policy. It is suggested that such a policy should operate under the following basic premise: *the federal government's role in rural health is to ensure that all individuals, regardless of place of residence, are entitled to reasonable access to a basic set of health care services.*

Consistent with this philosophy are the following priorities:

- A commitment and necessary action by the federal government to operate a fair, equitable, and adequate Medicaid program; and the establishment of eligibility guidelines that do not discriminate in a de facto fashion against rural areas.

- Elimination of rural-urban inequities in Medicare's reimbursement to hospitals and physicians.
- Expansion and/or improved targeting of supply-oriented programs to insure that all rural persons have reasonable access to a basic set of health services. Examples include the NHSC, the migrant and CHC programs, AHEC, the IHS, the Rural Health Clinics Act, and the need for increased federal support for rural emergency medical systems.
- Increased funding for rural health research activities, including the Rural Health Research Centers program.
- Increased funding for experimental delivery systems designed to generate more cost-effective ways of organizing, financing, and delivering care in rural areas. In designing this type of research and demonstration program, particular emphasis should be placed on the tremendous diversity that exists among rural areas.

Response to Health Paper: North Central Region

Steve Wilhide, President
Southern Ohio Health Services Network

In my recruiting efforts for the rural, Appalachian area of Southwestern Ohio, I am frequently confronted by citizens of small towns who do not understand why physicians are not willing to set up a practice. After all, it is a wonderful town and once supported several physicians. And isn't there a surplus of doctors?

Without question, general practice physicians were found in most small communities up until about the late '60s and early '70s. As older physicians died or retired, young physicians were not anxious to take their places. Why?

The communities have not changed. Small towns still send their sons and daughters to medical school, but medicine has changed. And, perhaps more importantly, society's expectations of medicine have changed. We have produced many more physicians since the mid-60s; enough for a so-called surplus. But a further analysis of that surplus gives one clue to the increasing difficulty rural areas face in adequate access to basic primary health care. According to a recent article in *The Journal of the American Medical Association*, "there may be a shortage of family physicians, particularly in managed-care systems and in rural areas that are underserved." The authors conclude that family physicians are in greater demand nationwide than any other medical specialty. The greatest demand is in the Midwest, where 40 percent of the hospitals responding to a recent survey reported a need for family specialists. A report by the American Medical Association's Council on Long-Range Planning and Development cites a decrease in residency programs as a roadblock to generating new sources of graduate medical physicians in family practice. The report indicates the overall physician population increased by almost 45 percent between 1975 and 1986, while the number of family physicians grew by only 24 percent. The AMA further projects the total physician population by the year 2001 will increase by nearly 22 percent, but family physicians will increase by only 9 percent.

Rural physicians are paid less by Medicare than their urban counterparts, despite the lack of any evidence documenting appreciably lower costs for rural practice.

One explanation for the short fall is an average income for family physicians of $80,330 compared with $119,000 for all physicians. Family physicians work longer hours and see more patients. Rural physicians are paid less by Medicare than their urban counterparts, despite the lack of any evidence documenting appreciably lower costs for rural practice. Given these trends, it is apparent the supply and demand phenomena will not solve the increasing difficulty rural residents face in obtaining accessible health care services. An adequate health care system is a critical component of overall rural economic development. In addition to the fact that rural hospitals often are the largest local employers, industry is reluctant to locate in an area that has inadequate health care resources. There is a clear link between an inadequate supply of physicians and rural hospital closures. Such closures have enormous social as well as economic impact on communities. A community hospital is often the hub of community involvement and a source of social support, particularly for elderly community members. Furthermore, closure of the hospital means having to travel to receive necessary care. A recent study by Christopher Hogan in *The Journal of Rural Health* found that the very elderly do not travel much for hospitalization. Therefore, hospital closure may have a more profound impact on the very elderly than on other segment of the population.

EXAMPLES

Note: There are 240 payment districts (no rationale for divisions). The examples cited are from the payment district as numbered.

Source: *Medicare Directory of Prevailing Charges 1984 (the last year published by HHS)

		Medicare Approves
• Initial Intermediate Office Visit	Nebraska/4	$ 15.00
	California/16	$ 75.00
• Appendectomy	Wisconsin/D-14	$ 371.20
Radical Mastectomy	Idaho/North	$ 731.00
	NY/A	$1,134.70
Limited Consultation	Illinois/10	$ 24.80
	Washington, DC	$ 103.00

WITHIN STATES

• Initial Intermediate Hospital Visit	Illinois/1	$ 41.20
	Illinois/15	$ 85.00
Thora Centers	Wisconsin/G-40	$ 37.10
	Wisconsin/H-46	$ 89.20

Medicare Per Capita Expenditures

Michigan	Oakland Co.	$ 155.51
	Menominee Co.	$ 55.56

Taken from Medicare Standardized Per Capita Rates of Payment

Dade County, Florida	$ 192.16
Meeker County, Minnesota	$ 42.75

Over the past 30 years, the practice of medicine has become less of an "art" and more of a technology-dependent "science." This change has affected rural areas since smaller community hospitals support fewer specialized services and perform fewer complex procedures than urban hospitals. Physicians evaluate practice opportunities, in part, by the services available at a local hospital.

As pointed out in the Cordes and Bruce paper on Rural Health Policy, federal policy historically has been to improve access to health services. According to Cordes and Bruce, in today's environment of cost consciousness, the two objectives of improved access and cost-containment are potentially diametrically opposed. But are they? Research has demonstrated that even after adjusting for case mix, teaching commitment, and wage levels, rural hospitals have a lower cost per discharge than urban hospitals. Medicare therefore pays rural hospitals less per discharge even after adjusting for case mix, wages, and teaching. An exception is made for hospitals qualifying for rural referral center status. Part of the reason for the higher costs in urban and rural referral hospitals is due to a more resource-intensive style of practice. The availability of greater technology and medical specialists at these hospitals results in more expensive care being provided.

Clearly, the federal government must address the increasing inequities in rural/urban access to health care. A lack of federal involvement will result in increased costs as rural residents have to travel further to receive care in more resource-intensive institutions. Rural economies will become more depressed due to the loss of jobs associated with hospital closure and the inability to attract industry due to inadequate health care resources. The potential priorities articulated in the Cordes and Bruce paper form the minimum basis for a rural health policy; but, in addition, federal health policy must begin to be evaluated based upon its impact on rural jobs and income.

The lack of a rural health policy can only result in greater overall costs as care shifts from rural to more urban areas. Rural residents are entitled to a certain minimum level of services.

The lack of a rural health policy addressing these priorities can only result in greater overall costs as care shifts from rural to more urban areas. A rural health policy should embrace a planning approach to the delivery of services. Rural residents are entitled to a certain minimum level of services. The federal role should be to assure that residents of areas ranging from sparsely populated "frontier" areas to less rural areas have a level of health services deemed appropriate for the area. This planning should be facilitated by the federal government but implemented at the state and local level.

Resource development should be implemented through a combined federal/state and local effort. Models should be evaluated for valuable knowledge and potential duplication, i.e., the National Health Services Corps for manpower, the health program of the Appalachian Regional Commission, and an economic development model and innovative state program such as the North Carolina Office of Rural Health. The lack of an equal opportunity for rural residents to compete on an equal footing due to poor health care violates our sense of American social justice. An individual's place of residence should not result in substandard health care.

Response to Health Paper: Northeast Region

Nona Boyink
Vice President, Director of Primary Care
Kennebec Valley Regional Health Agency
Waterville, Maine

The most controversial part of a discussion about health care is the basic decision that Dr. Bruce eluded to earlier, a decision that we have not made as a country. Is health care a right or a privilege? We have to make that decision before we can formulate good federal policy to address the problems that are there. A very different set of policy options exists if we decide that health care is a privilege rather than a right. I will tell you up front that I come down strongly on the side of health being a right, and the policy options that Dr. Cordes and Dr. Bruce have outlined in the paper are ones that I think are critical to making sure there is access to basic health care for all Americans regardless of where they live or how much money they earn.

I would like to focus on three options that are suggested in the paper and put them in terms of programs that could be used to implement those policies. The three policies are: (1) increase the federal share of overall health care spending, (2) target portions of the federal share more heavily to rural areas, and (3) help rural areas restructure the health care system. Policy is nice, but Congress does not vote on policy. They vote on programs that sometimes stem from policy and sometimes turn around and make policy. Coming from the side of universal access, I think there are particular areas that will help implement these three policies.

The first issue that has to be addressed is the inequities in Medicare and Medicaid. If we can more closely equalize reimbursement for physicians and hospitals under Medicare and can more closely equalize reimbursement not only geographically but by specialty for physicians under Medicare, we will start to deal with some of the physician-supply issues. The majority of physicians that end up practicing in rural areas are general practitioners. They are not reimbursed well by Medicare. If that system moves around -- as it may or may not -- we can see some increasing incentives to physicians not to worry as much about where they practice or how they practice in terms of whether they deal in specialty medicine or general practice. Medicaid for rural areas is probably at least as critical as Medicare because Medicaid is badly under-represented among the poverty population as a result of the issues of family structure that Dr. Bruce eluded to earlier. There needs to be a significant change in Medicaid policy at the federal level to provide all poor people more uniform access to health care, not just those who live in broken homes and receive Aid to Families with Dependent Children.

Is health care a right or a privilege? We have to make that decision before we can formulate good federal policy to address the problems that are there.

The second area that needs to be addressed relates to the issue of targeted federal funds for rural areas. That gets back to the question of supply and to programs of supply. Those programs that Dr. Bruce outlined -- the National Health Service Corps, Area Health Education Centers, and Community and Migrant Health Centers -- are examples of programs that can work particularly well in rural areas because they work well for underserved areas. The majority of the underserved areas in the country are in the rural areas. During the last ten years, the growth in physician supply in the rural areas has been one-third of that of the U.S. as a whole per individual population, not in number of doctors but in doctors per population. Much of the current federal policy related to physician supply is based on a study that came out in the late '70s predicting a physician glut by 1990. There is a physician glut in many parts of the country, but there is not one in rural areas and there is not likely to be one. One of the interesting parts of the health paper presented here is the discussion concerning why supply-and-demand economics in health care does not work in rural areas. It is a critical factor if we are going to insure rural Americans access to health care. We must have a federal policy that relates to spending more federal dollars for rural health care.

The third area is a policy area that ties together the other pieces and in the long run will make them work without continuing special programs. It is the issue of universal insurance at one level or the other, whether through a Medicaid program that applies to more people or through consolidated efforts with government and private industry. There are 37 million people in the country. About 10 to 12 million people in rural areas do not have any kind of health insurance -- no Medicare, Medicaid, Blue Cross or anything. Of those that remain insured, most of that health insurance does not pay for basic primary health care. This means that people do not get health care until they get sick enough to get into the hospital. The availability of access to health insurance is a partnership of the three levels of government and private industry. It will help rural hospitals and rural physicians, and it will maintain a service delivery capacity within the rural countryside.

If we can more closely equalize reimbursement for physicians and hospitals under Medicare, we will start to deal with some of the physician-supply issues.

I want to conclude with a brief discussion of the issue of malpractice. The federal government has taken a hands-off approach to malpractice because insurance is state regulated. As a country, we cannot afford to do that any longer. Medical malpractice insurance has to go beyond state boundaries, or we will find significant areas of the country -- both urban and rural -- without health care as a result. The example of spending $57,000 for obstetrical malpractice insurance is going to drive people into highly specialized care. Physicians will take a $15,000 to $20,000 drop in their malpractice insurance and simply do gynecological surgery. The doctors are not going to make any less money; they are not going to go out of practice. They are just going to stop providing critical services in areas of low-population density. There needs to be an effort on the national level to deal with that question, or it is not going to get dealt with.

Response to Health Paper: Southern Region

Roland Gardner, Executive Director
Beauford-Jasper County Health Services, South Carolina

Many of the problems in rural health care are well known. Most policymakers know there is a physician and nursing shortage or that rural hospitals are in financial distress. Unfortunately, much of the research in this area is issue-specific and is descriptive of the depth of the problem rather than looking analytically at the interplay of the diverse issues. The issue-specific nature of the research then produces a "shotgun" approach to public policy development at a time when a coordinated approach would more accurately reflect costs. Failure to address the problem of the shortage of physicians in rural areas is to provide the hospital with resources to support the cost of inpatient care without providing the physicians to administer that care. This response is designed to provide an analytical view of the diversity of issues and is intended to stimulate a coordinated approach to public policy solutions.

Physicians

Many rural communities continue to have problems in recruiting and retaining physicians, despite the alleged national "doctor glut." While some diffusion of doctors into rural areas is taking place, it is very slow and is not occurring uniformly across the country, according to a recent study performed by Kindig and Movassaghi of the University of Wisconsin-Madison.

The study showed that in small rural communities between 1975 and 1985, physician-to-population ratios grew at a rate less than half as fast as in the nation as a whole (14.2 percent compared to 32.5 percent). Moreover, small rural communities continued in 1985 to have physician-to-population ratios less than one-third that of national rates (53 physicians/100,000 versus 163 physicians/100,000).

One of the most important programs to address this problem, the National Health Service Corps (NHSC), is being dismantled after more than 15 years. At the very time when rural provider needs are high, the field strength of the NHSC is declining. Nearly 65 percent of Corps placements have been in rural areas. By the end of FY 1989, the NHSC field strength will be only slightly more than half its field strength at the beginning of FY 1988 (from 2,595 in 1988 to 1,401 in 1989). Projections for the following year indicate that about 800 NHSC scholars will be available for placement in 1990. This pattern, should it continue, will mean that thousands of rural communities will be at risk for medical care, and they will be forced to try to compete with wealthier, more attractive practice settings to fill physician vacancies.

> **In small rural communities between 1975 and 1985, physician-to-population ratios grew at a rate less than half as fast as in the nation as a whole. One of the most important programs to address this problem, the National Health Service Corps, is being dismantled after more than 15 years. At the very time when rural provider needs are high, the field strength of the NHSC is declining.**

Increased Demand

A consistent theme in discussions of rural health care has been the differentially low access to providers and facilities, as well as a lack of some or all of the components of a coordinated care system. Decreased federal funding for emergency medical services has left many rural residents without access to life-saving care in emergency situations. Long distances and provider shortages work to disrupt the smooth passage of a patient up and down the technology gradient when necessary, thus resulting in inadequate communication of patient needs and problems among primary providers, specialty care professionals, and extended care/recuperation resources. Further, resources necessary for successful outcomes following secondary or tertiary treatment are often unavailable. Surgical patients, high-risk mothers and infants, and other high-risk patient groups require consistent medical and health care during the entire course of resolving their problem. For example, the rural resident who is a victim of a serious automobile accident faces increased risk due to inadequate emergency medical transportation. Even assuming that transportation is available and the hospital treatment is successful, that increased risk is still not ameliorated. Necessary intermittent follow-up; nursing care during recuperation; home meals; and a safe, clean environment may not be available, especially to low-income persons. Shortages of ambulance services, home health providers, social service agencies and on-site medical/health providers decrease the patient's chance of obtaining the longer-term, managed care necessary for positive outcomes. While this is true for all patient categories, it is especially illustrated by four problem groups facing rural providers today.

Directions for Consideration

Discussions of response should be designed to increase affordability and access to care for rural residents. Two approaches should be used in concert: assuring care for poverty populations while working to strengthen the health care system in ways which ensure that comprehensive health care can be accessed through entry points in rural areas. Several approaches have been and are being used by the federal government and state/local officials to encourage access to affordable care for rural residents. They include community/migrant health centers, the National Health Service Corps, certified rural health clinics, and hospital transition legislation, as well as discussions of equitable reimbursement for rural providers based on a re-examination of the original reasons for a rural/urban reimbursement differential. While some of these approaches are quite recent, many have a history of service that deserves re-evaluation with an eye toward improved services.

The following list is just a sample of the many issues that affect the health care of rural Americans:

1. Hospital crisis
2. Manpower shortages (physicians, nurses, mid-levels)
3. Increased demands
4. Medical liability crisis
5. Infant mortality
6. The new morbidities
7. Public health issues, i.e., AIDS, homelessness
8. Migrant farm workers
9. Patient issues

Recommendations

Given the ever-increasing shortage of health manpower in rural areas:

- Congress should reinstitute and fully fund the National Health Service Corps scholarship and field placement programs as well as the loan repayment program in order to place urgently needed health care professionals in rural areas.

- States need to take a serious look at reforming their existing health manpower programs to more effectively place health professionals in the neediest areas and ensure their retention over time.

- Federal initiatives to states should be developed in order to encourage states to adopt/reform health care practice statutes that will allow for appropriate use of mid-level practitioners in primary care settings.

- Federal and state reimbursement policies should foster incentives to attract and retain physicians and other providers in rural areas.

- Federal efforts to market and provide technical assistance to enhance the number of certified rural health clinics should be developed.

Given the increasing number of uninsured rural residents and the lack of access to basic health care:

- Congress should reauthorize community and migrant health center programs at levels of funding sufficient to enable current centers to meet necessary costs and provide for new centers in rural areas unserved at present.

Given the increasing crisis in malpractice insurance and its impact on access to obstetrical service and, ultimately, infant mortality in rural areas:

- Model federal legislation should be developed as a guide to states now struggling to address the threat to service posed by rapidly increasing malpractice insurance costs and incentives should be developed for states to address this problem.

Given the financial crisis facing many rural hospitals and the increasing number of rural hospital closures:

- The medicare program should replace the separate urban and rural DRG rates with a single rate for all hospitals adjusted for legitimate and current local cost variations.

- The current wage adjustment in the medicare DRG reimbursement formula should be refined to more accurately reflect the cost of professional labor for rural hospitals.

- Federal and state public policy, reimbursement strategies, and health care regulations should be designed to encourage hospitals to diversify and engage in a smooth transition to health service facilities tailored to address the unmet health care needs of the local area.

Given the increasing prevalence of public health issues such as AIDS, infant mortality, and homelessness in rural areas:

- Flexible federal/state assistance for these public health problems should be designed to ensure programs are both responsive to the unique characteristics of rural areas and funded sufficiently to allow for flexible approaches.

- While acknowledging the importance of research, federal AIDS initiatives should emphasize the necessity of community education, outreach, prevention and early diagnosis and treatment for victims of AIDS.

- States should embrace the options provided under federal legislation in recent years that would enhance the number of women and children eligible for medicaid coverage in order to assure early access to health care and reduce infant mortality.

- Congress should provide sufficient appropriations for the federal Health Care for the Homeless Program to include provision of services to homeless people in rural communities that received minimal health care support during the first year of the program.

- Congress should ensure that homeless women, infants, and children are eligible for the WIC program in all states.

Given that the priority public policy direction is focused on the needs of the rural health service delivery system in crisis, it is also recognized that practical research is necessary to assure a solid understanding of the nature and extent of the rural health care problems. Therefore:

- There should be continued funding for rural health research centers through HRSA's Office of Rural Health Policy.

- Additional funds should be provided to the National Center for Health Services Research to support studies on rural health services based on the research agenda developed last year under a Congressional mandate.

> **It is probable that increasing numbers of high-risk segments of the rural population will seek necessary but locally unavailable care by traveling to the city. Such a migration of problem patients places additional burdens on that portion of the urban health care system that deals with uncompensated care at a time when it can least afford such an increase.**

Some of these recommendations would improve health care for both urban and rural populations since the rural populations and urban poverty populations share common problems. While it is not likely that rural populations will move en masse to urban areas, it is probable that increasing numbers of high-risk segments of the rural population will seek necessary but locally unavailable care by traveling to the city. Such a migration of problem patients, including poor minority group members, AIDS patients, or high-risk mothers has already been seen in some areas. This places additional burdens on that portion of the urban health care system that deals with uncompensated care at a time when it can least afford such an increase. Rural residents and urban-uncompensated care for medically indigent populations have similar problems. They can and should work together to effectively advocate for policy changes of mutual benefit. Medically indigent urban residents also face provider shortages, facility closures, and inability to maintain access to care in the face of rising costs. Common interest indicates that workable policy decisions should be sought by working together toward a goal of improved health for all Americans.

Response to Health Paper: Western Region

Marsha Kilgore, President
Board of Directors
National Rural Health Association

Besides reinforcing some of the policy options Sam Cordes mentioned in his health paper, I would like to add a couple that the National Rural Health Association believes should be occurring in this country. I have been in rural health for 14 years in the state of Oregon, and I know the issues backwards and forwards. Unfortunately, they really have not changed much through the years, except for the fact they are getting worse. There needs to be some definite federal policies on rural health, and we have a good opportunity right now with Congress and the federal government to get things really rolling once again and reinstate some of the programs that were once in existence. We can either do that or change those programs and add new ones.

The overall policy that we must have is a commitment in this country that all rural residents have a right to available health care services. I am not talking about fancy services -- CAT scans in every rural community, CAT scanners or MRI's or all that other fancy technology. I am talking about a basic level of health care service that should be available in rural America. We also have to recognize that there is a real difference in the definition of the word "rural" in different regions of the country. The workshop that was held in the East or the South probably discussed many different options in relation to their definition of rural and what their rural health problems are. We certainly know that rural in the West is very different from a rural county in North Carolina that has a problem with health care services because the nurse practitioner is only seven miles from Duke University. It is very different out here with fewer people and greater distances to travel. There needs to be a definite recognition of those differences in order to avoid regulations that are so generic to rural that they end up being a hardship on those areas of the country that are rural in terms of being sparsely populated.

We also need to have some stronger working relationships with federal programs that are rural health related and impact on states. Many rural health programs that the federal government has been involved in have not included the state at all. Any rural health policies and programs that are instituted by the federal government should have to include some interaction with the states. These policies should not dictate detail level activities in the states, but they should recognize the diversity we have in our states.

The overall policy that we must have is a commitment in this country that all rural residents have a right to a basic level of health care service.

Equity in reimbursement is probably one of the greatest hassles in rural health care today. Our federal government under the Medicare program reimburses rural hospitals at about 40 percent less than they reimburse urban hospitals for the same level of services. Forty percent. It just amazes me that they are doing that and for no reason -- and that they get away with it. It is having a great impact on our rural hospitals. The same is true for rural doctors under Medicare reimbursement. They get less reimbursement than urban doctors. The difference is not as high as the 40 percent for hospitals, but certainly there is a discrepancy. The equity issue must be fixed. Rural America is not asking for more health dollars than anybody else. It is simply asking for its fair share of the pie. Federal policies ought to acknowledge that rural America deserves its fair share. There are some other things going on with per capita formulas and distribution of block grant dollars that become a real problem in rural areas. It may not be a problem on the East Coast, where you have a little tiny county in land size that is densely populated. But in the West, many of our counties have less than six people per square mile. When you start distributing dollars on a per capita basis, there are not many services you can provide. It is certainly a policy area that needs to be looked at seriously for possible changes.

Federal government also needs to do some promotion and development of nontraditional health care services. We are talking about more utilization of nurse practitioners and physician assistants. Nobody wants to compromise the quality of health care in rural areas. That is not what we are saying. What we are saying is that there are professionals out there and alternatives besides the traditional hospital that can provide basic services to rural areas and would be good answers to the problem of health care. Federal policies ought to acknowledge that and promote it. Right now none of our rural hospitals can downsize to something less than a traditional hospital because Medicare will not reimburse them if they do. So, federal policies need to be looked at to allow for nontraditional health care systems.

We also need dollars in the rural areas for technical assistance. Since this workshop began, we have said that we need to develop leadership in the rural areas and provide technical assistance. We need dollars available to be pumped into rural communities to provide those services. In addition, we need dollars for new initiatives to replace those like the National Service Corps that is being dismantled, the old Hilburton program that helped rural hospitals in construction, and the Emergency Medical Services programs. Either we need dollars for new initiatives or we need to restructure those programs, take a look at them, and see how they can fit into today's rural environment.

We also should have a federal policy that says we all need to be working together when we are talking about rural economic development. Health care is a critical component of economic development, and there ought to be guidance and structure out there to force that issue.

Our federal government under the Medicare program reimburses rural hospitals at about 40 percent less than they reimburse urban hospitals for the same level of services. It just amazes me that they are doing that -- and that they get away with it.

Congress needs to re-evaluate its hands-off approach to the liability issue. States are not handling it. Congress has said we are not going to deal with it; leave it to the states. States are just not able to get things going. Congress needs to re-evaluate their feelings and take a serious look at it. The malpractice issue is not only bad in the urban areas where you hear about it and see it in the cost of health care, but it also is absolutely critical in our rural areas.

Another policy option we need is a continuation of rural health research, which has been minimal over the years. There is finally some federal money being put into rural health research so we can get the facts and information in order to set policy and programs that are going to address some of these issues. Money has gone in just recently to develop some rural health research centers across the country. There is certainly a focus and an interest for us to continue those research centers.

Congress is showing a little bit of renewed interest in rural health. A few dollars are coming through the House Rural Health Coalition and the Senate Rural Health Caucus. Those two groups have been very instrumental in starting some new rural health dollars coming our way with the Rural Hospital Transition Program and the Research Center Program, to name a couple. It is a beginning.

I agree with all of you who have said that even though we are dealing with federal policy here at this workshop, the states have to have a commitment as well. The states need to be working very closely with the federal government on these issues and certainly with health care. We need partnership arrangements with the federal government, partnerships in the sense that they do not tell us what to do but work with us.

Education, Retraining, and Relocation Policy

Daryl Hobbs, University of Missouri
William Heffernan, University of Missouri
Luther Tweeten, Ohio State University

Education produces human capital which in turn contributes significantly to the economic progress of individuals, communities, and the nation. Human resource development, as the foundation of rural development, needs higher priority than it has received. For small communities especially, investments in business development are likely to be successful only if complemented by investments in basic education, adult retraining, and job related education. More important, investments in people are rewarding whether a community is successful or unsuccessful in local job development.

Although overall social returns to both public and private investments in human capital compare favorably with returns to other forms of capital investment, many rural communities experience low local benefit-cost ratios because students educated at considerable local sacrifice of funds migrate elsewhere. More wealthy urban communities receiving educated rural migrants reap the benefits. Thus, rural communities subsidize economic growth elsewhere. In this respect, education is different from other local public investments. This difference does not call for less funding of education and training; *it calls for more equitable funding among sources.*

Many rural communities experience low local benefit-cost ratios because students educated at considerable local sacrifice of funds migrate elsewhere. Thus, rural communities subsidize economic growth elsewhere.

Given a choice between investment in education to be realized elsewhere and investment in a local industrial park, a rational rural community may opt for the latter although individuals and society benefit far more from human resource investments. Greater federal/state investment in rural education and training is defensible on equity as well as efficiency grounds as a principal component of rural development policy. Because educational benefits spill over state boundaries, achieving equity may require an expanded federal role in rural development oriented education and training to improve basic educational skills (reading, writing, mathematics). But flexibility to adapt to local needs and circumstances is essential.

Two important educational institutions address rural education needs:

- Elementary and secondary schools.
- Post-secondary and adult education, training, counseling, and manpower services.

Both sets of educational institutions will require funding and program innovations if they are to meet the needs of rural clientele.

History of Education and Retraining Policy

Three especially important public policies affecting rural schools over the past 40 years have been:

- An emphasis on consolidating rural schools so that they more closely approximate the size, specialization, methods, and economies of urban schools.

- The court ruling that racially separate schools are not equal, therefore requiring integrated school systems.
- Substantial expansion of secondary and post-secondary vocational-technical education.

The federal role in school consolidation has been minimal. State and local policies encouraging school consolidation resulted in a reduction in the number of the nation's school districts from 128,000 in 1930 to 16,700 in 1975. However, the federal government played a substantial role (especially in the 1960s) in supporting vocational-technical education, much of it in the name of promoting rural development.

The federal financial role in public education is modest indeed. In the late 1980s federal sources accounted for only 6 percent of elementary and secondary funding. The remainder of support is shared about equally by state government and local school districts but the proportion varies widely among states. A substantial part of current federal assistance is targeted toward low income populations and districts. State governments have significant policy, regulatory, and funding roles regarding public education. Many states are in a process of initiating educational policy reforms. At issue is what reforms are most needed and appropriate for rural schools.

Situation and Problem

National concern for the quality of public education has increased, fueled in part by publication of *Nation at Risk* in 1983, and has brought with it numerous calls for educational reform. Many of the proposed reforms call for increased expenditures to intensify instruction in the basics, expand curricula, and improve the quality of instruction. Unfortunately for many rural schools, growing public education costs are occurring simultaneously with contractions in the local economic base. Under these conditions, the urban comprehensive school model is not appropriate for rural communities. Innovations in organization, finance, and methods of instruction will be needed if rural schools are to continue to provide quality basic education.

Despite consolidation, nearly half the nation's school districts remain both rural and small.

Despite consolidation, nearly half the nation's school districts remain both rural and small. Of the 16,700 U.S. school districts in 1975, more than three-fourths were nonmetropolitan; 43 percent had a total K-12 enrollment of less than 600. Since the middle 1970s, little consolidation has occurred, largely because most excessively small districts have been consolidated and because local opposition to further consolidation has grown. Growing educational costs, shrinking rural revenues, reduced student numbers, and pressures to improve schooling have revived rural school consolidation issues in many states.

Dislocation of Rural Labor

Today's dynamic global economy generating worker and skill obsolescence and dislocation intensifies the priority for adult retraining and human services. When economic change forces rural people from farming or other vocations in mid-career, one option is for them to obtain retraining and move. Based on studies in Oklahoma and other states, persons interviewed after changing vocations indicated they were better off for having left the farm. Data on income, housing, and access to local services also indicate they are better off for making the transition.

But the first months of that transition can be difficult, even traumatic. That difficulty in making the transition helps to explain why many displaced workers chose local underemployment or unemployment rather than leave family and friends for better economic opportunities elsewhere. Many families that move from the local area have, or will obtain, good jobs, but some continue to have personal adjustment and family problems.

Without pertinent and specific assistance, some of the families who have remained in the neighborhood (and some who have left) will become dependent on welfare services. The vast majority of rural migrants to cities have become productive, middle-class residents. But some who were unprepared for an urban lifestyle did not have the skills and education necessary to become economically productive. They were unable to rise out of poverty and underemployment. Especially for those in the ghetto, their descendants often have done no better. A study of families who lost their jobs because of coal mines closing suggested that the social cost of not immediately addressing the needs of dislocated individuals will persist from generation to generation.

Vocational Training and Manpower Services

Content and methods of vocational education programs serving rural areas are in need of review. Most of these programs were established 20 to 25 years ago in response to demands for skills of that time. Too often, schools have not kept pace with emerging demands for skills.

Most new employment is being generated by small firms. This suggests opportunities for economic gains from entrepreneurial training. Vocational-technical training needs to be market-oriented to train people for the best job opportunities found in or outside the local area.

Obtaining even the basic skills in language arts, mathematics, science, and computers in secondary schools leaves no time for vocational training. Thus vocational training in agricultural management and technology is best reserved for post-secondary vocational-technical schools, colleges, and universities.

A closer relationship is needed between basic academic training and vocational training. Occupations with the greatest growth potential require academic skills as a basis for learning vocational skills. For example, successful operation of a commercial farm today requires substantial skills in management, marketing, and technology. Obtaining even the basic skills in language arts, mathematics, science, and computers in secondary schools leaves no time for vocational training. Thus vocational training in agricultural management and technology is best reserved for post-secondary vocational-technical schools, colleges, and universities. A bachelor's or master's degree in agribusiness management is highly desirable to provide the skills necessary for farm operators.

Despite best efforts, some displaced workers and their families will not be able to compete due to bad luck, inadequate management, dissatisfaction with their job, or for other reasons. Some of these families will benefit from a shift to different employment. Although many displaced workers have a variety of skills and extensive knowledge, often these skills and knowledge are not certified and not translatable into productive employment without additional training and certification. Many displaced workers never planned to do anything else. They paid little attention to other careers for which they might be suited. For them, aptitude testing and employment counseling are needed. Assistance in resume writing and job interviewing skills also may be required. Many rural men and women have never worked for anyone but themselves or their farm employer. Those being trained for organization employment may need an understanding of the social context of an occupation and how bureaucratic organizations function.

A growing body of research suggests that social service programs available in rural areas are not meeting current needs. In a Missouri study, only five of 40 displaced farm families (12 percent) could think of any help they had received from a government agency, church, or any other organization. Only three of the men received assistance to continue their education. Yet, many of the families indicated they sometimes had serious problems meeting basic food, clothing, and shelter needs, as well as problems finding a job and getting information about available programs. Displaced rural workers have little knowledge of and make very little use of the public employment service. Where employment and other services are available to rural communities, those in need often are not aware. Coordination can direct available services to the most needy displaced workers. At a minimum, individuals who request one type of assistance should be automatically entered into a network that provides them access to other services.

Given the lack of access many rural adults have to manpower training and employment services, there is a need to determine how these services can be more effectively integrated and combined at a community level. That integration is not easily accomplished. The distribution of services across several government agencies contributes to their inaccessibility and lack of coordination to serve rural human resource needs. At the same time, it is necessary to recognize that human and other public services entail high costs per person in sparsely populated areas. In some communities, costs can be reduced and services expanded by broadening the school to become the location for a wider range of educational and training services.

Current manpower retraining programs need to be made more accessible to rural adults and need to be designed to provide education and training having the highest probability of being rewarded in the market place, including attention to emerging job prospects within the locality as well as elsewhere.

In some cases, inequities in education have existed for such a long time that a chronic illiteracy and achievement problem has developed. This problem may have become so severe in regions such as the South that it can only be overcome by federal intervention.

Realistic appraisal of job prospects is essential -- too often vocational-technical schools have provided training for local or distant jobs that do not exist. For human resource development to become a more integral part of local rural development, it is essential that decisionmakers have guidance concerning which investments are most likely to benefit local people. Research has shown a relationship between a community's investment in education and its prospects for attracting outside business and industry, but the degree of association is low and attracting industry is losing favor as a rural development strategy. Research can help to determine how much and what kind of educational investments will produce the greatest return. In short, general and vocational-technical schooling needs to be designed to benefit local people wherever they eventually reside and are employed rather than just to benefit the local community.

Issues

The following complex issues arise out of the above discussion of rural education and retraining problems:

- What role does education play in the development process? Education enables workers to develop job skills. A well-educated labor force learns skills more easily and can adjust to, and benefit from, changing economic conditions. Current benefits from education are a result of past investments in schools. Even though increased investments in education make people more mobile, more education means more job growth.

- Are rural schools too small to achieve the same quality of education as urban schools? Size is certainly not the only determinant of a quality education. Yet many rural schools lack the resources required to deal with the special educational needs of certain children, to offer specialized advanced courses, to acquire expensive equipment, or to pay salaries attracting able teachers -- the single most important schooling resource.

- How can equity in retraining for dislocated rural residents be achieved? Job retraining programs were not intended explicitly for rural residents. Displaced rural workers involve relocation and counseling problems that often do not exist with urban workers. In addition, the cost of training rural workers may be higher. This raises the issue of whether opportunities should be provided for retraining prior to relocation.

Justification for Federal Role

Education is generally viewed as the responsibility of the state and local government. However, four compelling reasons exist for federal involvement:

- In some cases, inequities in education have existed for such a long time that a chronic illiteracy and achievement problem has developed. This problem may have become so severe in regions such as the South that it can only be overcome by federal intervention.

- Education results in a more mobile population. As a result, local funds spent on education may result in some portion of the population moving out of the local community or even the state. The general population benefits from education in terms of increased productivity, competitiveness, and reduced social program costs; justifying federal sharing of a portion of the costs.

- Retraining often implies moving those being retrained out of the local community and maybe out of the state. This justifies federal sharing of educational costs.

- Major differences exist among school districts in the economic resource (tax) base available for financing education. While states have stepped in to reduce the results of revenue raising inequities with differential levels of aid, federal assistance may be justified in highly rural states or regions in order to achieve quality rural education systems.

Policy Options and Consequences

In the following discussion, options for education are treated separately from retraining, although the two are obviously interrelated -- particularly in the long run.

Rural School Policy Options

Many additional rural school innovations could be identified. Not all are applicable to all rural schools, but many have promise. Continuing evaluation is essential to identify and expand the most successful innovations. At a minimum, public policy can ensure proficiency in basic skills.

Some further consolidation may be merited on a case-by-case basis but is unlikely in and of itself to contribute much to rural school improvement.

Funding Equity. Federal policy could be used to achieve greater equity in funding of public education in rural areas. Even within states wide variation exists in the relative wealth of rural districts and their ability to support quality public education. Education is unique among local services because the nation, not just the community, has a long-term vested interest in the quality of education all students receive. The resource limitations of a locality should not be a major constraint to educational quality. A combination of federal and state support can reduce the effect of these wealth differences.

Organization. Small schools are experimenting with organizational changes to achieve some of the benefits of consolidation without incurring the costs. Sharing of teachers, administrators, and specialists and joint purchasing are being widely practiced. In many cases, clusters of schools have organized cooperatives to provide joint services they cannot individually afford. In several states, state-supported intermediate units are providing specialized services to smaller rural attendance centers. Federal support to organizational change may be justified, particularly in sparsely populated areas.

Some further consolidation may be merited on a case-by-case basis but is unlikely in and of itself to contribute much to rural school improvement. For several reasons consolidation is not necessarily the answer to rural school problems:

- School size does not strongly influence student performance.
- In sparsely populated areas, economies of size are achieved at relatively small enrollment levels.
- In many rural localities, the school is the most important remaining community institution. Its importance to the community is not limited to education of youth. It very often is a major source of community identity; indeed, many regions report that the rural community has often become synonymous with school district boundaries. Community support is an important contributor to school effectiveness.

Education Technology. New electronic and distance learning technology is required for rural schools to be competitive. Distance learning technology (satellite, interactive TV, etc.) can increase the supply of educational resources available to rural schools in a cost-effective manner. Indeed, distance learning technology has been the focus of considerable legislation (both enabling and regulatory) at both state and federal levels. Federal programs to assure technological competitiveness are an essential component of a rural education policy.

Curriculum Innovations. School reformers are emphasizing the importance of departing from a strictly textbook-driven curriculum if improvements in learning are to occur. Accordingly, some rural schools are departing from conventional school routines. One cluster of rural schools has successively utilized a four-day school week to reduce costs and improve educational time-on-task. Other schools are making more intensive use of standardized tests to measure student performance and achievement, are rewarding teachers and administrators for superior results as measured by achievement, are requiring teachers to pass minimum competency tests, are extending opportunities to develop students' competence through preschool programs and extended regular school years, and are using microcomputers for individualized remedial drill. The federal government could assist in making these needed curriculum changes by providing funding support for innovative new ideas that depart from conventional school routine.

Retraining Policy Options

Counseling. New York, North Dakota, and Missouri research indicates financially distressed farm men and women experienced severe depression. Symptoms include withdrawal from friends and community, sleeping and eating disorders, aggressiveness, and increased alcohol use. Another symptom is an inability to think clearly. Usually rational behavior on the part of individuals is assumed, but during extreme stress, this is not a valid assumption. Counseling programs are needed that recognize the social and psychological dimensions associated with loss of a job. Retraining without such counseling often has been relatively ineffective.

Adjust Training Qualification Requirements. One of the problems with the current Job Training Partnership Act (JTPA), Pell grants, and other financial programs designed to enhance education and skill levels is that farmers and other displaced rural businessmen do not qualify until they have "lost everything." By the time they reach that point, they feel they are a failure. They have lost dignity and self-confidence. Guidelines need to be altered so that families are not required to be "failures" before being afforded needed assistance. Many families could enter retraining programs while their businesses are still operational.

The principle of providing assistance under the Trade Adjustment Assistance (TAA) program enacted in 1962 and the Job Training Partnership Act is to assist workers displaced for reasons beyond their control. This criterion is unworkable because it is impossible to judge in most instances whether the circumstances were within or outside of the individual's control. Job displacement in rural America often occurs because of changes in macroeconomic and trade policy, weather, unfortunate timing of asset purchases, poor management, and hosts of other reasons impossible to sort out. It makes sense not to attempt to assess reasons for displacement before providing assistance for displaced workers.

One of the problems with financial programs designed to enhance education and skill levels is that farmers and other displaced rural businessmen do not qualify until they have "lost everything." Guidelines need to be altered so that families are not required to be "failures" before being afforded needed assistance.

With greater funding and recognition that training can increase earnings and GNP, training need not be confined just to workers dislocated by exports or other reasons beyond their control. If a strong program of training and mobility assistance is available, it is feasible to more aggressively enhance productivity growth while minimizing adjustment problems for those impacted. Farmers do not need a separate program but need special attention in a nationwide program designed for workers in all occupations.

Transitory Financial Assistance. For many rural workers, retraining requires a physical move. This means disruption for the entire family with substantial moving expenses. The risk and fear of the unknown is obviously greater for the move of a mid-life family than for the move of a young, single person. Studies of migration patterns suggest that rural families moving to urban areas follow kinship ties. Few families moved to a community where they knew no one. The usual process is to move to communities where other family members reside. In the financial stress years of the 1980s, many farm families had to move without having close family ties at their destination. Assistance to supplement help from extended kinfolk is useful. In Kansas City, for example, religious groups have used their networks and services to assist dislocated farm families. In the spring of 1985, the Wisconsin Governor's Commission on Agriculture recommended that the state implement a financial assistance program for farmers.

Priorities

The cost of not dealing with these transitional problems of displacement and not dealing with the longer-term resource needs of rural schools will not be borne alone by rural people and communities. They will be borne directly or indirectly by society. Strong programs of basic schooling and to a lesser extent vocational-technical training and higher education provide the fundamental foundation for minimum social friction in mobility. Counseling, job placement, and other secondary mobility programs can also help. Numerous innovative programs have been attempted in the past and failed because they could not meet the test of economic feasibility and political sustainability. Economic evaluation of benefits relative to costs of such programs is necessary. Programs passing the economic benefit-cost test stand the best chance of being politically sustainable.

Response to Education Paper: Southern Region

The Honorable Jodie Mahony
Arkansas State Legislature

The author of the education paper pointed out that there are no specific federal programs targeted to rural education. While this is technically not true, it might as well be considering the few amount of dollars involved. The focus of this workshop and our efforts as I understand it is to be federal involvement. One of the things that Congress has done and the regional education laboratories have put into practice is a national rural small schools task force. The purpose of this effort has been three-fold: identify and implement promising practices in rural schools (defined as less than 2,500 students in the district and more than 75 percent rural in character), document exemplary programs and products, and spread those programs and products across rural America. That program was initiated by senators and congressmen from primarily the Midwest, but it was enthusiastically joined in by numerous senators and representatives from across the country who are concerned about what is happening in rural America.

William Friday from North Carolina was quoted as saying during a recent talk to the Southern Region Education Board that poverty and its handmaiden illiteracy, its consequent crime of unemployment, and the resulting loss of self respect that flows from being so poor and uneducated all prevade our land. Their existence and the extent of their pervasiveness seriously inhibit individual fulfillment and threaten economic growth and fulfillment of human development so essential in our democracy.

Our need is not so much for greater charity from one neighbor to another but for greater parity to bring forward all the South's neighborhoods at once.

Congress also has provided for some rural assistance centers to provide technical assistance to rural small schools across the country. In addition, they have called for a Star Wars program (as it is more popularly known) that has been eagerly embraced by a number of people across the country who are very interested in the benefits to rural areas of long distance learning. I think we should be willing and able to take care of the new welfare bill that passed the other day. It has a great emphasis on training and work and has provisions for day care and health benefits. We will attempt in Arkansas to tie the new welfare program to school attendance for those children that are involved. We also will attempt to tie the welfare programs to a program mandating that a literacy test be given to those people who are on welfare and unemployment and that they involve themselves in literacy courses. That is another place where the federal government giving us some flexibility will be of great help. As you might imagine, there are some difficulties with having a mandate for those welfare programs, but to get people to do things, we all know you either have to have a carrot or a stick. Business involvement is also tremendously important as far as literacy is concerned. In rural America where you are involved with such vast distances and such few people, it is almost impossible to figure out a program that can be economically efficient. But if you can go into the work place and get the cooperation of business, you have your best chance for training and literacy education.

William Winter, whom many of you know from Mississippi and who is on the Commission on the Future of the South, says that our need is not so much for greater charity from one neighbor to another but for greater parity to bring forward all the South's neighborhoods at once. A fortunate middle class even with all the goodwill in the world cannot afford to drain away tax money merely helping people endure poverty. The real help to our neighbors and ourselves occurs each time one Southerner escapes poverty to become a full partner in economic progress.

A recent cover story in *Business Week* magazine emphasized that we cannot afford not to take advantage of or put money into developing the human capital in our country. By the year 2000, only 14 percent of our jobs will be available to those with less than a high school education. A majority of all new jobs will require an education beyond high school. A person going into the work force right now will change jobs seven times. Now I don't think that is a good argument for vo-ag and vo-tech education in high school, because the critical thing is getting people to think. You don't need people who are trained to milk cows, and you don't need people who are trained to run hay balers. You need people who are trained to think. You can't run a farm anymore just knowing how to operate those hay bailers or take care of livestock. You have to be trained in business areas, in accounting, in being able to know what it means when the Chicago markets go one way or the other. We have to concentrate on getting our students out of high school and into the community college system -- concentrate on developing a person's ability to think because that's what they're going to be required to do when they make these job changes. Businesses don't appear to be so concerned about people being trained for specific jobs as they are about their coming to the job with the ability to do math, English, etc.

As we develop our rural health care system, it will have to be on a satellite basis. I don't believe industry is going to come to rural communities without adequate medical care, and I know people are not going to stay there without it.

The most immediate issue that rural America is going to face is clearly rural health care. We see hospitals that people can't use. There are not enough patients out there to fill those hospitals, and even if you raise the Medicare/Medicaid rates, those people are still going to go down the road. As we've built up these four-lane highways, what we have done is make it easier to get to the urban medical centers. People know there is better service there and that their health care needs are going to be better met in an urban center. Yet they still need that emergency care in the community. They've got to have it. As we develop our rural health care system, it will have to be on a satellite basis if we're going to continue to provide it. I don't believe industry is going to come to rural communities without adequate medical care, and I know people are not going to stay there without it.

Yesterday I looked around and counted eight black participants at this conference. That is not a comment on the fact that more blacks were not invited. It is a comment on the fact that we see a falling off of black participation in higher education, a falling off in black graduation rates from high schools, and a drop-off in blacks being willing to enter the teaching profession. I suggest to you that one of your points when you go to Congress -- and one I think will get a sympathetic reaction -- should be that in addition to developing programs in science, math, special ed and the other areas we find ourselves deficient in, we should make a greater effort to take advantage of the human capital that is also represented by the black population in the South.

Response to Education Paper: Western Region

John W. Kohl
Montana State University

The authors of the policy paper on education, retraining, and relocation have done an excellent job of highlighting several of the perennial problems facing rural America. Grouping these concerns under the broad heading of investing in human capital is an appropriate way to capture the essence of the rural education dilemma. I share the bias that the ultimate foundation of any rural economic development policy must be anchored in the development of human capital. This leads to the premise that the economy and education are inextricably intertwined and no policy solution can be considered without giving primary consideration to that basic fact.

However, as each of you know, almost every problem is more complex than the majority of people are willing to admit; thus, the rural education problem is much more than the efficient or effective delivery of information to isolated people.

Hobbs, Heffernan, and Tweeten focused on four federal policy option areas for rural education. Briefly restated they were the following: the need to create greater funding equity between rural and urban areas, the need to experiment with organizational changes that focus on shared service, the need to promote distance learning technology, and the need to advance curriculum reform. In addition, they suggested three retraining policy options: increased counseling opportunities, adjustments in current training qualification requirements, and transitory financial assistance when rural people need to relocate for education or training. All of the above proposals are worthy of this body's attention and are major recurrent themes in the literature.

The ultimate foundation of any rural economic development policy must be anchored in the development of human capital.

In addition, I would like to suggest several other policy option areas which should be considered. As a backdrop, I suggest you refer to the National Rural, Small Schools Task Force report to the Regional Education Laboratories called *End of the Road, Rural America's Poor Students and Poor Schools* (1988). In that report we viewed both rural students and rural schools as very much "at risk." Data in the study reveal that some rural schools suffer from chronic, severe burdens across multiple indicators. These schools receive a significant portion of their students from low-income families. Furthermore, the schools themselves are poor: poor in the amount of money they have to expend per pupil, poor in the achievement level of their students, and poor in regard to the available curriculum and instructional resources.

A recent Northwest Educational Laboratory report entitled *Interim Status Report on the Condition of Education in the Region's Small, Rural Schools* (1988) states, "The true nature of the problems in the region's small, rural schools results from the interaction between the rural school context, on the one hand, and the specific educational needs which they encounter. Size, rurality, isolation, and socio-economic factors constrain the small, rural school's ability to resolve some special educational needs." The report concludes that rural education needs are greater than rural school needs and are manifest along three lines:

a. Rural school needs emanating from high "at-risk" populations.
b. Service delivery needs such as the following:

- Improving the quality of rural teacher preparation.
- Improving the quality of multi-grade classroom instruction.
- Improving methods for planning and developing cooperatives
- Improving the quality of rural administrator preparation.
- Increasing the availability of research information and services to small rural schools to enable decisions to be made on a more informed basis.

c. Policy needs such as the special pressures put on rural schools to expand offerings, increase graduation requirements, install college prep programs, etc.

From my own work in this area, I believe the following are additional emerging or existing areas with policy implications:

a. *Meeting the rural adult and child day care needs in order to allow the family caretaker to pursue adult education or training/pre-training programs.* It cannot be assumed that extended families meet these needs in rural areas.

b. *Increased accessibility to counseling services, both personal and vocational.* In many cases, neither is available in rural areas and we know that stress is just as prevalent in rural areas as it is in urban areas.

c. *Greater attention to the special needs of handicapped rural adults who want to be economically and socially successful.*

d. *Special needs of rural minorities and limited English-speaking children and adults.* Programs for these groups usually are available in heavily populated areas but seldom in sparsely populated regions.

e. *Inservice and continuing professional development opportunities for teachers, administrators, and other rural professionals.* The necessity of traveling long distances is a hindrance to professional development efforts and is complicated by the hardship of obtaining qualified replacements when regulars have to leave to update their skills. Rural technical assistance centers coupled with distance delivery utilizing telecommunication systems could fill this need.

Finally, a federal policy is needed that devotes attention to research on how adults learn. The conventional wisdom that adults learn in the same way that children learn does not take into consideration differences such as context, experience, motivation, opportunity costs, social constraints, or other adult obligations.

In conclusion, a review of the history of rural policy initiatives reveals a recurrent and cyclical pattern: several years of intense concern stimulated by a crisis that is followed by a period of general disinterest as public attention focuses on other issues.

The key to continuing public interest is media attention that is stimulated by influential public figures. Paradoxically, major media and most influential public figures are located in urban areas and their constituency is the mass market. It appears that a primary problem for this or any rural initiative will be sustaining public attention over time.

Rural Poverty Policy[1]

Fred Woods, Extension Service/USDA
Peggy Ross, Economic Research Service/USDA
Dennis Fisher, Texas A&M University

Poverty has become a growing economic, social and political concern in the United States. Over twenty years ago the nation launched a full-scale effort to address the problems of poverty in this country. The success of these programs, however, has been mixed. In fact, some critics argue that the social programs of the past decades are themselves a cause of poverty or its perpetuation. They maintain that instead of alleviating the poverty problem, social programs in general and welfare programs in particular have contributed to the perpetuation of poverty by fostering work disincentives and family instability.

When the public thinks of poverty programs, they usually think of government transfer and income security programs, especially the various welfare programs such as food stamps, medicaid and Aid to Families with Dependent Children (AFDC). Most cannot deny that such programs are important because they provide a measure of relief to those living in poverty. Still, they do little to attack the root causes of poverty, including the lack of adequate education and employment opportunity.

Welfare reform bills recently passed by both houses of the 100th Congress point to possible, substantial changes in welfare policy. The underlying goals of both bills are to encourage AFDC recipients to work, to improve their chances for employability through education and training, and, at the same time, to help needy children without weakening parental responsibilities. At this writing, the differences between the House and Senate bills are undergoing reconciliation, and the long range outcomes are unknown.

Of 32 million Americans who were poor in 1986, nearly 10 million -- 30 percent -- lived in nonmetropolitan (rural) areas that contained only 22 percent of the nation's population.

This paper focuses on some of the main issues of poverty affecting rural Americans and the communities where they live. It also suggests policies and programs which could help to ameliorate rural poverty.

History of Concern Over Rural Poverty

Rural poverty as an issue separate from the general poverty problem first emerged into the national spotlight with the publication of the President's National Advisory Commission on Rural Poverty report which said, in part:

> Rural poverty is so widespread, and so acute, as to be a national disgrace . . . . This Nation has been largely oblivious to . . . 14 million impoverished people left behind in rural America. Our programs for rural America are woefully out of date. (*The People Left Behind*, 1967, p.xi)

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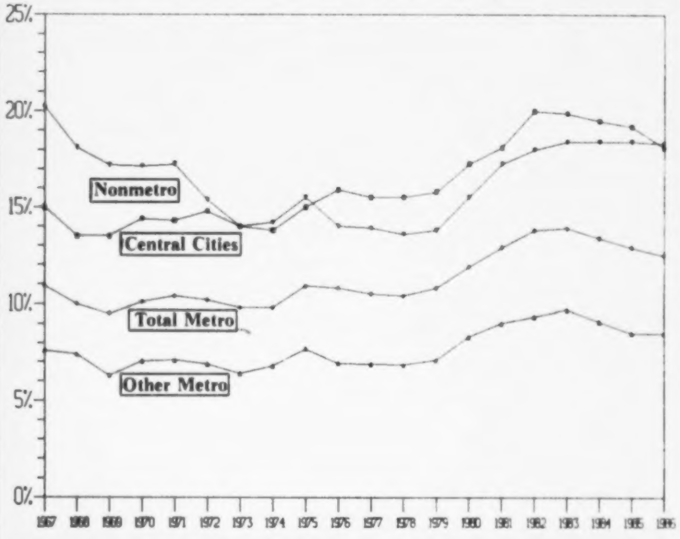
[1] This paper is based in part on an overview to rural poverty and policy presented by Kenneth L. Deavers, Robert A. Hoppe and Peggy J. Ross in a forthcoming book chapter, "The Rural Poor: Policy Issues for the 1990's."

Most Americans today perceive poverty in the United States as primarily an urban problem. Certainly, inner city poverty with its slums and street people are more visible. But, for as long as we have gathered poverty statistics, a disproportionate share of our poor have lived in rural areas. Of 32 million Americans who were poor in 1986, nearly 10 million -- 30 percent -- lived in nonmetropolitan (rural) areas that contained only 22 percent of the nation's population.

Although relative income disparities between rural (nonmetropolitan) and urban (metropolitan) America improved substantially and the incidence of poverty declined between 1950 and 1979, poverty rates increased sharply beginning in 1980 in both metro and nonmetro America (Figure 1). Factors contributing to the rise in poverty included the following: (1) the inflation of the late 1970s and early 1980s, (2) the economic downturn of 1980 - 1982, and (3) the tightening of eligibility requirements for some government programs that removed people from welfare rolls. But while metro poverty rates have declined somewhat since 1983 as a result of economic recovery, nonmetro poverty rates have remained relatively high.[2] In 1986, the poverty rate of the rural population was 18 percent -- nearly identical to that in the nation's central cities -- compared with 12 percent for the urban population.

Figure 1. Poverty Rates by Residence (1967-86)



Composition and Characteristics of the Rural Poor

The rural poor differ from the urban poor in a number of ways. Rural poor are more likely to be elderly, white and living in the South. While the elderly still make up a larger share of the poor in nonmetro areas (14 percent versus 10 percent in metro areas), poverty rates among rural elderly have declined sharply since the early 1970s. This is due primarily to federal programs targeted to the elderly. The current poverty rate for the rural elderly is about the same as the overall rural poverty rate (18 percent) but still higher than the 13 percent of urban elderly who were poor in 1986.

The majority of the rural poor are white, primarily because they make up the majority of the total rural population. Even in the South, where most nonmetro blacks live, about 60 percent of the rural poor were white in 1986. Overall, more than three-fourths of the nonmetro poor were white in that year.

Rural poverty is heavily concentrated in the South (Figure 2). In 1986, the rural poverty rate in that region was 22 percent compared with 15 percent for the rest of the country. Over half of the nonmetro poor lived in the South but, this share, which represents an improvement over a decade earlier, may reflect a relative deterioration of economic conditions in the North and West rather than improving conditions in the South.

Another major difference between the poor in rural and urban areas is the rural poor's strong attachment to the labor force. A significant share of the rural poor work. Over two-thirds of nonmetro poor families had at least one worker in 1986, and over a quarter had two or more workers. In comparison, 56 percent of poor metro families had

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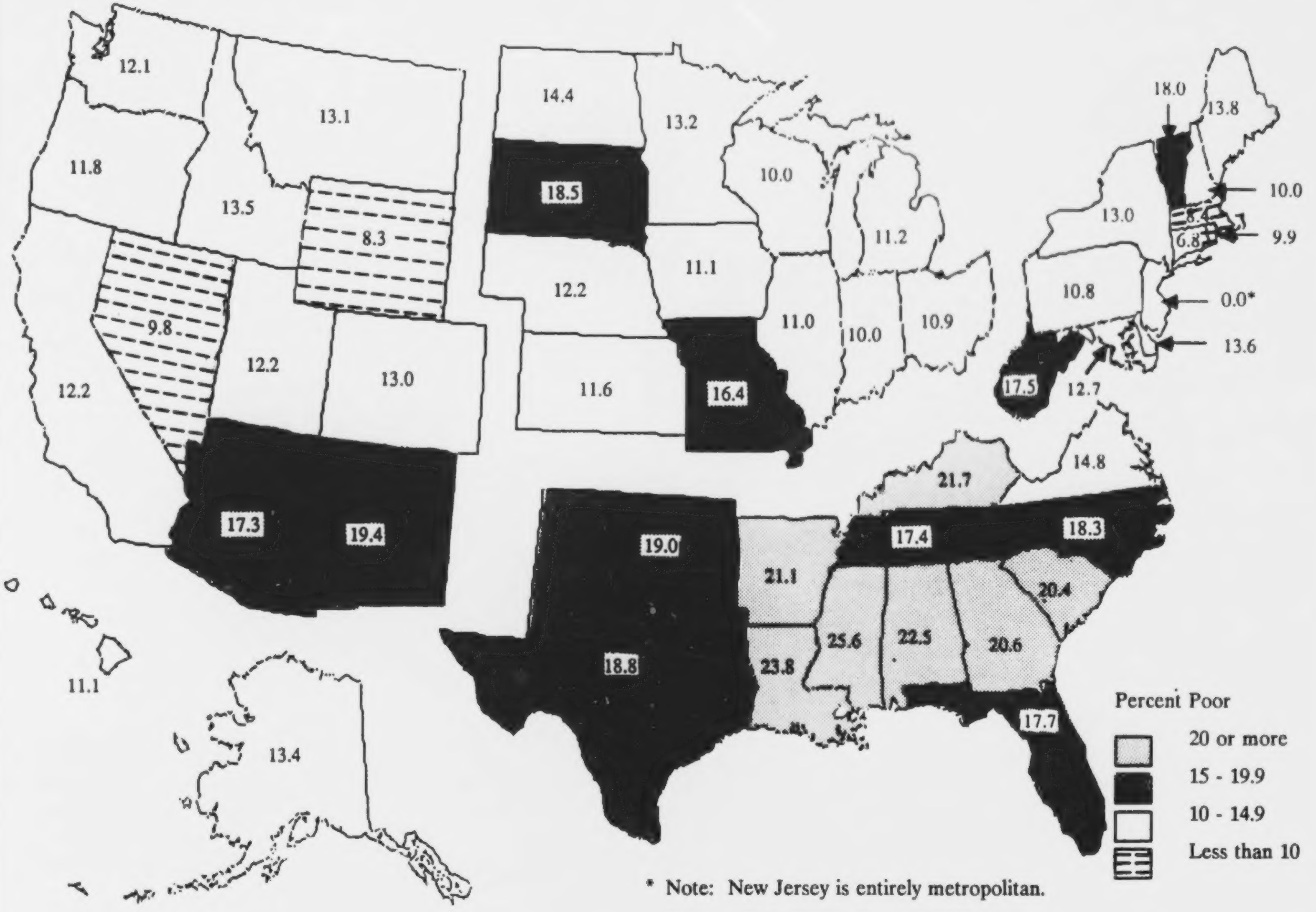
[2] Due to a 1984 change in Census Bureau definitions of metro and nonmetro areas, 20 million nonmetro residents were defined as metro. Thus, comparisons of data before and after this date are not strictly valid.

Figure 2. Rural Poverty Rates.


12.1
13.1
11.8
13.5
8.3
9.8
12.2
12.2
13.0
12.2
17.3
19.4
14.4
13.2
18.5
12.2
11.1
11.6
16.4
10.0
11.2
11.0
10.0
10.9
19.0
18.8
21.1
23.8
25.6
22.5
20.6
20.4
21.7
17.4
18.3
14.8
17.5
12.7
10.8
13.0
18.0
13.8
10.0
9.9
6.8
0.0*
13.6
17.7
11.1
13.4
Percent Poor
20 or more
15 - 19.9
10 - 14.9
Less than 10

* Note: New Jersey is entirely metropolitan.

Source: U.S. Census Bureau, 1982a.

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at least one worker. Furthermore, almost half of the rural poor family heads who do not work are ill, disabled or elderly.

Urban poor (40 percent in 1986) are more likely to live in families headed by a female with no husband present than are the rural poor (29 percent). On the other hand, 51 percent of rural poor people lived in families with both parents present in 1986, compared with only 35 percent of urban poor people.

Children, who made up nearly 40 percent of the poor in both metro and nonmetro areas in 1986, have become the nation's poorest age group. For every elderly poor adult, at least three children were poor. Furthermore, over 50 percent of urban children and over 60 percent of rural children who lived in families headed by single females were poor.

For individuals, poverty may either be a transitory or temporary problem, or it may be persistent, lasting many years. Because the share of their population that is poor is larger, nonmetro areas had greater shares of both persistent and temporary poor among their population than that found in metro areas. But the share of the poor who are persistently poor is about the same in both metro and nonmetro areas. Over a five-year period from 1978- 1982, slightly under 4 of every 10 poor in both metro and nonmetro areas were classified in the persistent poor category.

Children, who made up nearly 40 percent of the poor in both metro and nonmetro areas in 1986, have become the nation's poorest age group.

Nonmetro Persistent Low-Income Counties

Rural poverty may also be viewed from a geographic perspective. Of 2,443 nonmetro counties in the United States, 242 have been classified as persistent low-income counties[3] by the U.S. Department of Agriculture. These counties are heavily concentrated in the South (Figure 3).

The persistently poor counties have fewer people and are less urbanized than other nonmetro counties. In addition, they contain disproportionately higher numbers of people with disadvantages affecting their productive labor force participation. On average, 42 percent of adult residents living in persistent poverty counties had completed high school in 1980 compared with 58 percent for all nonmetro counties. The poverty counties also had significantly higher proportions of blacks, female-headed households and disabled populations than the other nonmetro counties. These persistently poor counties averaged 28 (all persons), 30 (blacks), and 20 percent (whites) as compared to 17 (all), 20 (blacks), and 14 percent (whites) for all rural counties.

The industrial structure of the persistently poor counties was similar to that of all nonmetro counties. For example, differences in average income from farming and mining between the poverty counties and all rural counties were negligible. Incomes from manufacturing and services differed only slightly between the two groups of counties. Either the productivity of the economic base of poverty counties is extremely low or the income from economic activities is very unevenly distributed among those who live there.

Justification for Federal Role

The consequences (costs) of poverty are not only of major significance to those individuals and families who are poor, but also to the community in which they live and to society as a whole because of economic and social products and services foregone. The

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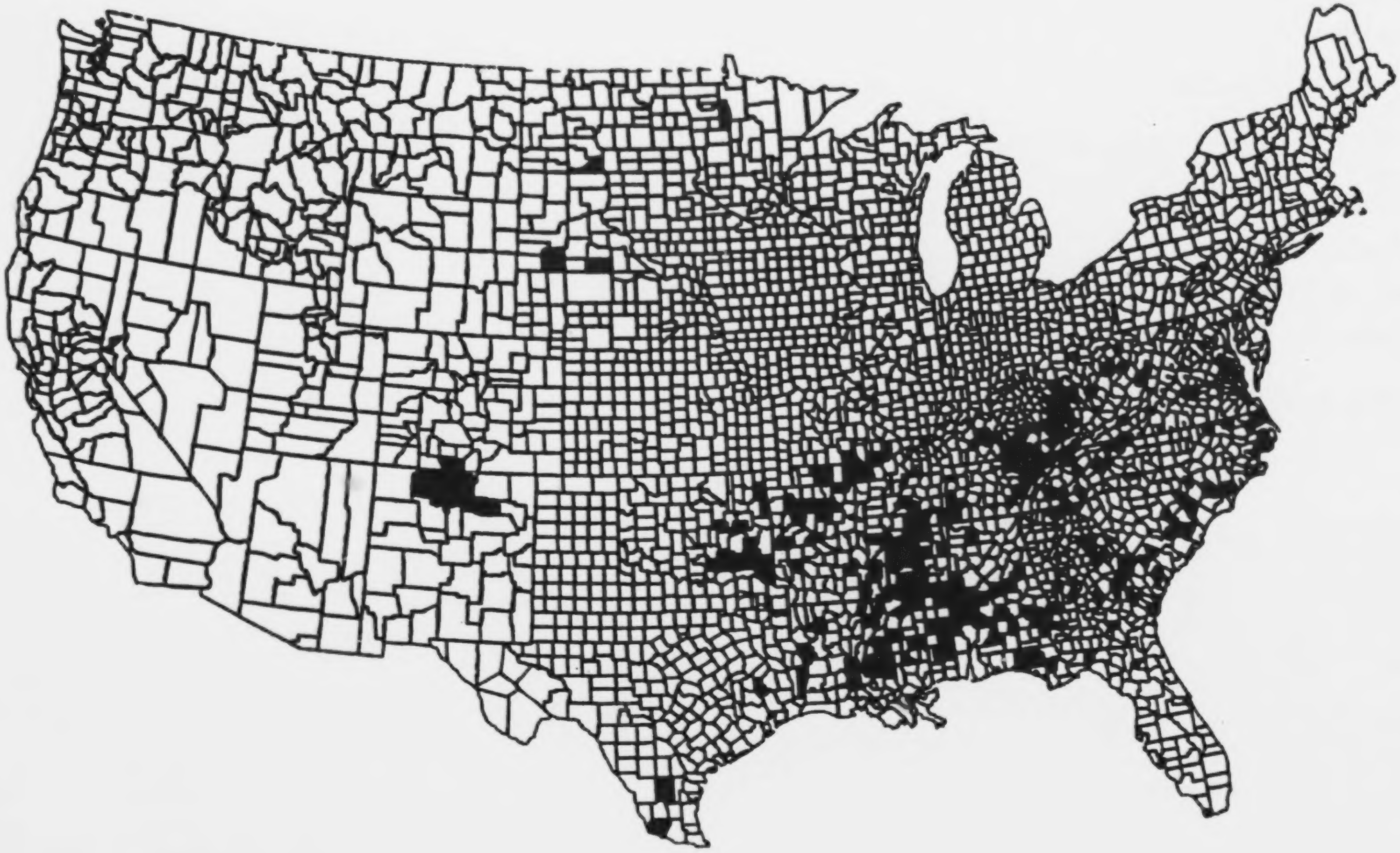
[3] These counties ranked in the lowest one-fifth of all rural counties in per capita income in 1950, 1959, 1969 and 1979. An update of the persistent poverty counties between 1979 and 1984 showed that 36 counties had shed their persistent low-income status, thereby reducing the number of counties from 242 to 206.

Figure 3. Persistent Poverty Counties (Nonmetro U.S.)



Source: Economic Research Service
U.S. Department of Agriculture

rationale for public policy concern has its basis in equity and social justice considerations as well as economic grounds. Most of the current programs generally considered by the public as poverty programs are aimed at treating the symptoms of poverty or at improving the living conditions of the poor.

Partly because of the difficulty in measuring output foregone, a policy relationship has not been developed between poverty policy and education, job training, health and health care improvement, and child care programs. But these programs, if they are successful in making the poor more productive, may actually cost less over time than the output lost in the absence of such programs. And if these programs are successful, they would also eventually reduce the cost of the poverty-symptom programs mentioned above.

The result is that poverty programs have perhaps the broadest base of justification for federal involvement of any rural programs, including the following:

On average, 42 percent of adult residents living in persistent poverty counties had completed high school in 1980 compared with 58 percent for all nonmetro counties.

- The removal of chronic social and economic inequities that affect rural poor people and communities.
- The potential to increase the effectiveness and efficiency with which programs are administered by treating problems rather than symptoms.
- The need to coordinate many programs across agencies and levels of government.
- The need to distribute the costs and benefits of programs equitably.
- The need to recognize the revenue raising ability of the Federal government in dealing with complex problems.
- The ability to contribute materially to the productivity and competitiveness of rural America.

Policy Implications of Rural Poverty

Two decades after publication of *The People Left Behind*, rural poverty remains a serious problem in Rural America, and many rural communities continue to suffer from chronic economic depression. This has led some to charge that poverty policy and programs have been largely tailored to meet the needs and circumstances of the urban poor and the cities and urban neighborhoods where they live because of their greater visibility and ability to mobilize organizational and political support. For whatever reasons, the rural poor and the communities where they live do appear to be underserved by a number of current public services and programs.

Given the composition and characteristics of the rural poor, it seems clear that a comprehensive, multidimensional policy is required. A number of policy implications can be identified.

- Rural poverty must not be erroneously equated with farm poverty. Only 8.5 percent of the rural poor in 1986 were farm residents. While agriculture continues to be important in many nonmetro areas, both as a direct source of income and because some of the nonfarm employment is agriculturally related, farm policy cannot be expected to effectively address the rural poverty question.

- A comprehensive national poverty policy beneficial to rural areas would include roles for federal, state and local governments. Many of the areas where sizable numbers of the rural poor live are isolated and lack basic human and community facilities needed to support minimally adequate service delivery systems. Where rural poverty is most concentrated and persistent, even states may be hard-pressed to administer and fund programs to help their poor. At the same time, the diversity of rural areas and rural conditions makes it virtually impossible to tailor federally directed rural programs to meet unique local needs. State and local governments may be able to more effectively and efficiently design programs for specific localities.

- Because of the attachment of the nonmetro poor to the labor market, issues such as minimum wage, job training, income tax policy, disappearance of low-wage jobs, and employment opportunities are important in any discussion of rural poverty. At the same time, labor market strategies cannot be expected to reach the large numbers of nonmetro poor who cannot be expected to work: the elderly, the ill, the disabled. Furthermore, labor market strategies may also have only an indirect effect on rural poor children.

- Aid to Families With Dependent Children (AFDC) has generally been less effective in nonmetro than in metro areas for two primary reasons: First, a large number of the nonmetro poor live in states that have low AFDC benefits. Second, a smaller proportion of nonmetro poor children live in female-headed families, the main target group of the AFDC program. In addition, the rural poor who are much more prone to live in intact two-parent families, often live in the states that have not, as yet, extended AFDC benefits to two-parent families where the primary breadwinner is unemployed.

Public Policy Options to Address Rural Poverty

Three main policy thrusts are available to deal with the problem condition:

- Fine tune the current antipoverty programs.
- Target programs to address the unique characteristics of rural poverty.
- Incorporate a rural poverty policy into a comprehensive national rural development policy.

Continue Current Programs

Public programs which alleviate the personal costs of poverty such as Medicaid, low-income housing, the various nutrition programs, AFDC, and Supplemental Security Income would continue. Adjustments in these programs, which appear to have strong current support, would be permitted. An example is the unemployed-parent amendment to AFDC. Programs which address the societal cost of output foregone such as the Job Training Partnership Act (JTPA) program, education programs, economic development assistance, and small business assistance would also continue.

Although the rural poor are generally perceived as having less access to public assistance services and programs than the urban poor, they have clearly benefited to some degree from existing programs. Transfer payments to all rural areas for social security, medicare and other social programs have increased significantly over the past four decades. Transfer payments provide a larger share of personal income in rural than urban areas, although social security and other retirement-related programs account for over half of nonmetro transfer payments. Particularly since nationalization of the Supplemental Security Income (SSI) program in the early 1970s, transfer payments have been particularly helpful in reducing the poverty rate of the elderly in rural areas.

If present attempts in the 100th Congress to make major reforms in welfare policy are successful, all states would be required to provide AFDC payments to two-parent families in which the principal wage-earner is unemployed, assuming the other eligibility requirements are met. Because rural poor families are more likely to have both parents present and because they are relatively over-represented in states that do not currently offer this benefit, the rural poor should benefit. The full extent to which the rural poor would benefit from the work, education, and training components of pending welfare reform legislation cannot yet be determined. Similarly, the capacity of states with significantly high shares of rural populations to effectively implement reform proposals is unknown, although the role of states in adapting such programs to unique needs may be an important consideration. Undoubtedly, rural areas do have special problems of spatial dispersion, transportation and service delivery. The present reform proposals lack specific mechanisms for addressing the special conditions that sometimes serve as barriers to full participation in poverty programs by the rural poor, although some of these barriers may be gradually removed on a program-by-program basis.

In spite of its current appeal, welfare reform is not a cure-all to the problems of poverty -- albeit rural or urban. Welfare reform action will reach only a segment of the nation's poor. By one account, only about 25 percent of urban and 20 percent of rural working-age poor adults received public assistance in 1986.

Finally, the poverty rate is strongly related to general economic conditions. It can be argued that the 1980s increase in rural poverty rates is related to the depressed farm and manufacturing economies. Although it has lagged recovery in the general economy, the farm economy is nevertheless improving.[4] Low-wage manufacturing industries that are found in many rural areas, particularly in the South, are also slowly recovering. Therefore, rural poverty rates can be expected to improve as well.

Improved coordination of local, state and regional rural development programs by both state and federal agencies could greatly increase the effectiveness of existing education, job development and job training programs. This probably could be accomplished within existing institutions and budgets.

A major weakness in this option is that it does not focus on the primary problems of chronically depressed rural communities, such as the more than 200 persistently low-income counties identified previously. Existing rural development programs over the past three decades have not been enough to move these persistently low-income counties into the mainstream of American life and cannot be expected to do so now.

Transfer payments provide a larger share of personal income in rural than urban areas, although social security and other retirement-related programs account for over half of nonmetro transfer payments.

Target Rural Programs

Programs would be targeted in two directions:

- One set of programs would focus directly on the specific needs and problems of chronically depressed rural communities, such as the persistent poverty counties.[5] This set of programs would carry a long-term commitment to sufficient funding over a sufficient period of time to adequately address those characteristics of the poor which limit work-force participation and income levels and to generate sufficient economic and community resources enabling these people and communities to overcome their persistent poverty status.

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[4] Newly released data for 1987 show a moderate decrease in the poverty rate for nonmetro residents but a dramatic decline in poverty rate among farm residents -- from the 1986 rate of 19.6 percent to 12.6 in 1987. These changes are due, in part, to economic improvements in the farm sector, record federal payments to farmers, and growth in family income. However, the Census Bureau cautions that the unprecedented magnitude of the decline is likely due to "measurement deviation."

[5] Recent research suggests that new pockets of poverty may be springing up and that a new group of rural poor may include better educated people in their prime earning years who have been displaced by structural economic problems.

- Present poverty programs would be adjusted to overcome current barriers to their full availability to many of the rural poor. To achieve standard public policy goals of equity and fairness, poverty programs must recognize the differing circumstances of the rural and urban poor.

The rural poor must frequently travel long distances to secure medical services or to even shop for food or to secure basic education services. The cost of transportation is substantially higher, both because of distance and because public transportation is generally inadequate, at best, and nonexistent at worst. The general absence of child care facilities in rural areas combined with the transportation and distance factors keep many mothers from working and contributing to family income.

Poverty programs should yield the same net benefits to the poor, regardless of place of residence. Equity and fairness arguments can be made that poverty program benefits to persons in rural areas should reflect the higher costs of social and economic services and other unique conditions of low-income rural areas.

On the other hand, the argument can be made and often is, that the rural poor have indicated by their choice of residence the value they place on living in a rural area. The lower rates of social program participation by rural poor are often attributed to a stronger adherence to the work ethic and other traditional values than to the lack of "fit" of existing poverty programs.

Another frequently heard claim is that the overall cost of living is lower in rural areas than in urban areas. However, data are limited to either support or to refute this claim. A more pragmatic argument against special targeting of programs, particularly a specific program to address the needs of chronically depressed communities, has to do with the budgetary costs of such programs. Those states with the greatest concentrations of persistently poor counties are generally the poorest in terms of funding capacity. Thus, major funding would have to come from federal sources, a major barrier given current national concern over the federal deficit.

Address Poverty in a Comprehensive Development Policy

Development of human resources is an important policy goal and an essential part of any comprehensive national rural development policy. Rural counties with disproportionate numbers of persons below the poverty level will not benefit from programs to stimulate economic growth and development unless there is concomitant investment in comprehensive human development programs for those individuals who are hampered from productive work because of lack of education and job skills.

Labor market strategies alone are not sufficient to solve rural poverty problems since almost half the rural poor family heads who do not work are ill, disabled or aged.

On the other hand, the poor may either remain unemployed or have to move after receiving training if there are no jobs available locally. Experience with programs funded by the Job Training Partnership Act (JTPA) has shown that many who receive publicly funded job training frequently cannot find employment where they live. This simply reinforces the need for both job creation and job training.

Labor market strategies alone, however, are not sufficient to solve rural poverty problems. Since almost half the rural poor family heads who do not work are ill, disabled or aged, an effective comprehensive development policy must also include programs to transfer sufficient income to those who cannot function in the work force. A farm policy that adequately addresses the special needs and circumstances of noncommercial or small farmers is also an essential part of a comprehensive rural development policy. Educational and service programs to develop and/or improve management, marketing and entrepreneurship skills combined with research on crops and enterprise combinations especially adapted to small or part-time farming has the potential to raise incomes for persons below the poverty level. Revisions in farm policies to address the needs of poverty level farmers is justified on equity grounds and may also be more consistent with socially desirable long-term natural resource policies.

Likewise, inclusion of poverty policies in a comprehensive rural development policy is justified on both equity, efficiency and social justice grounds.

Concluding Comments

The amelioration of poverty, regardless of where the poor live, is generally recognized as a worthy policy goal. Notwithstanding the policy option chosen to address the rural poverty problem, the stage can be set to make programs more effective simply by correcting false perceptions about poverty with accurate portrayals of the poor: disproportionate numbers live in rural areas, many of them work, the majority do not receive welfare, most of them are not minorities, a relative few of the rural poor live on farms, and special circumstances of the rural poor sometimes prevent their full participation in existing programs.

Moreover, the need for flexibility and intergovernmental cooperation should be obvious, regardless of policy option. Diversity of rural areas and rural conditions makes it virtually impossible to tailor federal poverty programs to meet unique local needs. State and local governments must be heavily involved with the federal government in designing as well as administering rural poverty programs, particularly if the needs of chronic rural poverty are to be met.

The stage can be set to make programs more effective simply by correcting false perceptions about poverty with accurate portrayals of the poor: disproportionate numbers live in rural areas, many of them work, the majority do not receive welfare, most of them are not minorities, a relative few of the rural poor live on farms, and special circumstances of the rural poor sometimes prevent their full participation in existing programs.

Response to Poverty Paper: North Central Region

Valerie Jerich
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Minnesota Department of Jobs and Training

I was asked to come here and talk about rural poverty, and it is one of the things we have been discussing for several years in the state of Minnesota. A couple of years ago I chaired a committee for the governor to look at rural poverty and the effects of the changing rural economy. We found out some interesting things about people who live in rural communities versus the poor people who live in metropolitan areas.

During the early 1980s, Minnesota's rural economy became stagnant on the iron range when mining virtually shut down. A couple of years later, a similar occurrence hit our agriculture communities in Minnesota and most of the Midwest. As a result, we found that rural people who were thrown into poverty for the first time were generally reluctant to apply for assistance programs. They were more willing to access food through a food shelf or a temporary emergency food program such as the food commodity program of the U.S. Department of Agriculture. Their reluctance to apply for those programs continued when we ran a dislocated farmers program. We received a special pot of money from the federal government under the Job Training Partnership Act to work with dislocated farmers. We also had a state-funded program to work with them. We found the same thing, that generally they would not come to the local service delivery offices or the county offices to apply for assistance programs. When we opened the programs at the vocational-technical institutes and the community colleges, farmers did come. So there is a different kind of philosophy about taking assistance in the rural areas than there is in metropolitan areas.

We found that rural people who were thrown into poverty for the first time were generally reluctant to apply for assistance programs. There is a different kind of philosophy about taking assistance in the rural areas than there is in metropolitan areas.

That seems to hold true with a lot of our programs. I am the director of the economic opportunity office and have been for the last year. Our office runs the Temporary Emergency Food Program. We give out shelter grants for the homeless as well as grants for transitional housing for people who are or have been homeless and are in the process of getting retrained or getting themselves into the job market. Some of our grants go to help women who are coming out of battered women's shelters and making transitions into the job market. We run the program for low-income heat and the weatherization program at the state level. We also have the state-funded portion of the Head Start Program, and we do the Community Services Block Grant that has the pleasure of having some state funding. Therefore, we have a fairly broad range of programs that are geared towards low-income people. Our community action agencies statewide have implemented what they call self-sufficiency programs, which is a new public policy effort in Minnesota. We had the luxury of having some additional money a couple of years ago to give agencies attempting to get some programs up and running. These agencies work with low-income people and do more than just the handout programs that we see so often.

The procedures and guidelines that are set down by the federal government sometimes restrict us from taking a lot of the approaches we would prefer. So if we are going to look at policy, we need to look at some policy changes and restrictions on these programs. With our self- sufficiency component, we are trying to move people out of crises and do budget counseling with them. We try to get them into training and into jobs. I do believe that at the federal level these are some of the policies that need to be reviewed. There are models in Minnesota that could be offered to the writers of this issue paper, and I would encourage the authors to look at these models and then look at some of the restrictive areas where we cannot utilize some programs because of federal restrictions.

Another point I want to make is that we need program stability, and that was discussed in the poverty issues paper Mr. Woods presented. The turf battles are real and do go on. When I first came to this job, a young man came to see me and told me that we should cancel a conference we were proposing because we were competing with their program. I told him that when he had enough money in his program to serve every low-income person in the state, then he could come and talk to me about competition. But then it dawned on me: We are not fighting over clients; we are fighting over the same dollars.

As needs have increased in rural areas, dollars have declined. With our Low-Income Energy Assistance Program, we are serving 114,000 families, 60 percent of whom live in rural areas. Of that 60 percent, 47,000 or 42 percent are elderly. That is an astounding figure, and it shows us what is happening in the rural areas. When we did a study several years ago, we found the demographics changing drastically as young people moved into the metro areas where there were jobs. We found that when schools consolidated, the age level rose drastically, which leads us back to the issue mentioned earlier about medical and health services in rural communities. As some of those rural communities have diminished in size, the services have diminished with it and transportation has become an issue. The community action agencies are unique in that they can design programs to address issues at the local level, and they can assess their own local needs. So in the rural areas, a lot of community agencies have been forced to move toward the kinds of activities that will move people, transportation-wise, around their regions. In fact, many agencies are starting to move from volunteer kinds of transportation systems to more comprehensive busing systems for their elderly clients. So there are a lot of demographic considerations that need to be studied as we look at rural poverty issues.

An influx of migrant workers is another demographic trend that has made housing for the homeless a critical issue in Minnesota's rural areas. This migrant population tends to be Hispanic seasonal workers. Some of the families have stayed in Minnesota because there hasn't been work for them back in Texas. This has caused a growth in our rural communities and put increased pressure on our schools. That is another policy issue that needs to be addressed. Local communities are not going to be able to finance that kind of influx if the trend continues. We have been trying to target additional money to the Minnesota Migrant Council to help them deal with the housing issue, but it is not nearly enough. We lost $12 million for the Energy Assistance Program last year and $6 million this year. We are going to run out of heating dollars before the end of the year. As a result, we have targeted our program, cut benefits, and tightened up. We are going to run the program based on the same guidelines this year, but we anticipate running out of heating dollars early in the spring before the program ends. As I told a legislative group a few weeks ago, the only problem we seem to have is money. It is very clear that states cannot make up for the federal losses that we are experiencing, so I agree with the poverty issue paper. Rural communities cannot raise the revenue and neither can states. We need to go back to the federal pool. With the national deficit, that is another issue. But I do think Congress should try to clarify its priorities. We probably can reduce the deficit and still help serve low-income people.

Two-parent families used to account for only 3 percent of the case load for AFDC in the rural areas, but in 1986 it accounted for 15 percent. This gap is widening in the rural areas and the number of poor people is increasing.

When our office did a study two years ago, we found a tremendous growth in the number of AFDC (Aid to Families With Dependent Children) people concentrated in rural

Minnesota. Between 1979 and 1986, the entire increase in AFDC clients in the state occurred in our 80 nonmetro counties. During that period of time, there was a higher unemployment rate in the rural areas and the number of two-parent families using AFDC increased 70 percent outside the metro area. Two-parent families used to account for only 3 percent of the case load for AFDC in the rural areas, but in 1986 it accounted for 15 percent. It is important to know that this gap is absolutely widening in the rural areas and the number of poor people is increasing.

Another issue we need to look at in rural areas is housing codes. They are not enforced as strictly as they need to be so that we have safe, adequate housing for low-income people. We have tried to help people relocate, but they were not able to sell their homes in a declining economy. Their entire life's equity was in their home, and the housing stock has declined immensely.

Health care issues are also an important rural issue right now. Because of the low-paying jobs and the seasonal, intermittent kind of work that is available in rural areas, medical benefits are not being provided. People are not apt to be able to afford health coverage on their own. If they do, they buy it with very high deductibles. The Minnesota Medical Association did a survey in 1987 and found that 31 percent of the rural doctors said they have seen a marked decrease in the number of patients participating in preventive medicine. That tells another story about the increase of poverty in rural areas.

Again, I will refer back to the poverty issue paper and talk more about program stability. If we are going to ask Congress to start looking at these poverty issues and developing some kind of policy for rural America, they need to look at program stability. These programs get up and running and fluctuate so fast that the bureaucrats cannot keep up with them, let alone a client who needs the kind of service that is available. One of the greatest challenges we have is trying to find some stability with the program. The reason that there is so much turf fighting among the bureaucrats and the service providers is the fluctuation in program stability. I know welfare reform is needed, but I hope it does not become what other reform issues have become -- a mechanism to cut resources to low-income people. I think we see that with the block grant program. It sounds like the greatest thing since sliced bread. They passed us the block grant program; they said you make local decisions. I was running for county commissioner in 1982 when that became the big catch phrase. There were ten candidates in the race. We were all gathered at a town meeting, and the other candidates were tending to focus on what it would mean to have local decision authority. They thought that was really going to be wonderful. Then I got up and said, "I think there is a message here, that when you get local decision authority for federal programs, you also are going to have to raise the money." That is precisely what has happened. We found that with a lot of these block grant programs, local decision authority is a mechanism to cut the funding levels. We have more authority and more flexibility, but on the other hand, we have less resources to do it with. We have had to find those resources at the local level. That is the kind of policy statement I hope you will address today when you talk about welfare reform. If you are going to make statements about welfare reform, you need to provide some kind of assurances to rural people who are at the poverty level that we are not just going to consolidate and collaborate and coordinate them to death until there are no resources left to do it.

Welfare reform is needed, but I hope it does not become what other reform issues have become -- a mechanism to cut resources to low-income people.

Response to Poverty Paper: Northeast Region

Ivar Holmquist, Regional Director
Evangelical Lutheran Church of America

Much of what I have to say will reflect my own experience of the past few years and my intense involvement with the Commission of Religion in Appalachia. The Commission looked at the economic crisis in Appalachia in order to shape its own work as the representative for social change and social ministry of 19 national denominations. I think, however, that the perspectives I have gained from working in that 13-state area will apply to other places.

I appreciate the paper that has been presented on poverty, its focus on causes rather than symptoms and its recognition of the self-limiting nature of the present policies that often leave people trapped and frustrated. There are a few major concerns that I wish could have been included. One is the implications of landownership. I refer, of course, to West Virginia and states in that area where national government holdings are very large but where multi-national corporations have extensive acreage under their control. This association between the people of the land and the land itself has had significant negative impact, especially on the tax structure. West Virginia as a state is essentially bankrupt. When taxes are not collected on an equitable basis on vast land holdings, we cannot expect there to be provision for education and the other infrastructures that our society needs. The options for communities that do not have that tax income are very limited.

Nothing has been said about increasing the minimum wage. I know it is a very controversial issue, but it is one of the few mechanisms that we have in order to put a floor in the income of poor families in rural areas. The action of the Congress on the Aid to Families with Dependent Children is encouraging, but I think we need to recognize that when a family head earns less than $200 a week in constant 1984 dollars, working 52 weeks a year will not provide that family with an income at the poverty line level. So this family lives, despite its work commitment, at a standard of living below the poverty line.

The cost of the availability of housing is a major issue. This is complicated in the Northern areas by the fact that there are many older houses that have high ceilings, many windows, and poor insulation. The poor could hardly afford to live in these houses even if they were given to them.

Not much has been said about housing, which is surprising considering that all low-income families -- rural and urban -- spend 58 percent of their income on housing. Their level of income makes available, at least theoretically if not practically, no more that 10 million units of housing in this society. The cost of the availability of housing is a major issue, at least from West Virginia and north. This is complicated in the Northern areas by the fact that there are many older houses that have high ceilings, many windows, and poor insulation. The poor could hardly afford to live in these houses even if they were given to them. Another fact that we need to mention is that 30 percent of the homeless now represent families with children. Communities like Hagerstown, Maryland, an industrial community that until recently was largely supported by the industry called Mack truck, have seen a fantastic increase in the number of families seeking help because they are homeless. We have agreed that the current anti-poverty programs leave a lot to be desired. They need more than fine-tuning.

If fine-tuning is the only course available to us, I would like to look at the area of small business development. Whether or not it is under fine-tuning as part of the comprehensive policy, we should consider knocking down the barriers that prevent people from using their unemployment benefits while they are still receiving them to move into the area of small business development. This is a concept that is being widely experimented with in both France and Britain. A pilot program is underway in the state of Washington, where people on unemployment are being assisted to get into small business. Once again we see the states providing leadership in an area, but federal involvement is necessary if such an opportunity is to be made available in all the states. The program would not incur significant additional cost from what we already spend in the unemployment program, and it has the potential of keeping people from returning to unemployment. Minorities and women in rural communities should be targeted for assistance in getting into small business.

Another area that I have not seen mentioned is the use of what I would call mediating organizations or mediating institutions. By these, I mean essentially the non-profits which are engaged in many places in community empowerment and capacity building. These exist on the national level, as well. Two examples are the National Congress of Community Economic Development and the Center for Community Change. The Council of Foundations has been very active in trying to build some linkages between groups like the National Congress of Community Economic Development, state government and a variety of financial institutions. There is a severe lack of appropriate models being marketed by a group like NCCED for rural areas. There are a variety of resources represented by foundations, non-profit capacity builders, government agencies, and community-based groups -- including the churches -- that are beginning to be tapped. I sense, however, that we are beginning to reach the limit of their resources, so we need to look to federal sources for the additional seed monies that we need for the development of rural communities. There are special populations in chronic or long-term poverty, and we need to look with particular care at Native Americans and at those black populations in the South which have been so poor for so long. We need to emphasize that as federal, state and local governments become more involved with each other that there be provision by policy for the development of community groups that will empower the people. There are vast varieties of such groups out there. They are effective and they need to be utilized. My own vote would be for a comprehensive rural development program that includes the opportunity for this wide diversity of partners and options from the local communities so that they can fashion what is best for themselves. The rest of the society would stand essentially in a servant role, enabling the people to fulfill their own vision for themselves as responsible citizens.

A comprehensive approach would need to include many of the issues that we have identified here, but I will discuss only two. The first concerns community investment. In the 1930s the Glass-Steagall Bill erected a wall between banks and other financial institutions engaged in selling stocks, bonds, and insurance. Recent state legislation has begun to tear down that wall. It appears that we may be moving toward a free market situation with financial institutions. Instead of mini-banks, there could be just a few, large banks. It is conceivable, at least to the minds of some, that there will be areas of the country in which there will be no banks. Financial institutions, particularly banks, need to be in relationship with their communities if the reinvestment that is required for redevelopment and new development is to take place. The Community Reinvestment Act, which guarantees that kind of thing, could be part of what is done away with if some folks would have their will achieved in present efforts to change the legislation regarding banks and other financial institutions. Some kind of legislation needs to be enacted, if that is the case, that would keep financial institutions in direct relationship with the communities from which they have taken their money and in which that money needs to be reinvested. The House Banking Committee has reported out such a bill and it is currently in the Senate Banking Committee. It should have three

Minorities and women in rural communities should be targeted for assistance in getting into small business.

provisions: disclosure, federal standards, and mechanisms for funding community economic development, including risk pools and guaranteed access to monies by rural communities. Here again, unless communities are empowered to take advantage of the availability of such an investment, these funds will be either not used or used by those who do not need them or should not have access to them. I believe that groups like the National Congress of Community Economic Development and similar mediating institutions should be encouraged to develop economic development models tailored for unique problems in rural communities.

Community empowerment or capacity building has been mentioned a number of times in our session, and I want to underscore it as the way in which we can stem the loss of leadership from these communities. When employment in entrepreneurial opportunities can be provided,the loss of young people and other leaders will not be so great. However, the leadership that does remain in our rural communities is often overwhelmed by the demands on them to meet the economic crisis, even what some of us might regard as the relatively simple task of putting out a proposal. The energy and time simply are not there. So, we need community empowerment that will increase the capacity of local officials and will take the people who remain and give them the opportunity to develop their native abilities to become leaders and decisionmakers in their communities.

Some kind of legislation needs to be enacted that would keep financial institutions in direct relationship with the communities from which they have taken their money and in which that money needs to be reinvested.

Response to Poverty Paper: Southern Region

William Troy
Staff Coordinator, Economic Transformation Project
Commission on Religion in Appalachia

Our organization is an alliance of most of the major protestant denominations and the Roman Catholic Church. It has been in existence for about 20 years as a means of coordinating the church's ministry in the primarily rural Appalachian Region. Poverty has been a major focus of our work, and for the last two to three years we have been trying to grapple with what new shapes our ministry should take because of the economic situation, particularly as it pertains to rural areas.

In addition to the churches, our constituents include about 40 grassroots community organizations that we helped fund and that take part in our work. Most of these organizations are in rural and small town areas. Many of the people who participate in them are poor. They work on a range of issues from community economic development projects to worker health and safety, child care, health care, and jobs and income. Our constituents tell us that the problem where they live, no matter what issue they are working on, is jobs and income. We know that, of course, from our own analysis of what has happened in the last eight to 10 years in terms of deindustrialization, the impact of imports and so forth. What they are telling us is that there are more and more poor people because there is less and less work to do in the areas where they live. Therefore, if we are not addressing those questions, we are missing the boat. For that reason I want to come down very strongly on behalf of the third option listed in the poverty paper, and that is development of a comprehensive rural development policy. There is certainly a federal role to play in formulating such a policy.

Our constituents tell us that the problem where they live is jobs and income. There are more and more poor people because there is less and less work to do in the areas where they live.

The poverty programs that we have -- transfer payment programs -- are certainly important and need to be improved in terms of reaching rural people. For many people in Appalachia, transfer payments are the way to survive. That will likely be true for some time to come, but the problem is of a greater magnitude than that. In a fundamental way, it can be addressed only by a comprehensive approach that seeks to combat the causes of poverty on a national level because the problems of rural America are really national problems. What is needed is a policy that will attack rural poverty primarily by revitalizing rural economies, and it must do that in all available ways, farm and non-farm. That policy must involve government at all levels acting in partnership with the private sector.

As for the federal role, I would like to mention the following:

- **Save existing jobs.** The recent plant-closing legislation that we at CORA are very much in favor of, if enforced, could give local and state agencies time to intervene to save manufacturing facilities that might otherwise leave. It is not always true that there is a good reason for a plant to leave, and that plant is a major source of income in many rural areas.

- **Support enterprise development.** We want to keep attracting companies that want to locate where we are. But, one of our findings is that federal and state policies and agencies are so often geared to smokestack chasing kinds of activities that they

> do not spend enough time supporting locally based job creation enterprise development activities.

As I understand it, Senator Leahy's Rural Economy Act of 1987, which has been filed and was the occasion for some hearings, had several kinds of titles that were interesting in this regard. One matched federal money with state money for rural development projects, thereby encouraging states to focus on rural areas in ways they might not do ordinarily. A second title funded non-profit government and private agencies to do capacity building in the area of enterprise development. In other words, it funded development district groups, local government groups, or non-profit private sector groups to be out there looking for opportunities to create new jobs. There are also small-scale, small-farm agricultural opportunities in which many of you are involved. They can help to revitalize rural economies. Federal policy needs to target the use of federal and university resources to assist the small farmer in rural areas to do that type of alternative growing. The Leahy bill also has a provision for infrastructure assistance, which for the most part is for water and sewage treatment.

I have heard a lot of talk here today about the importance of telecommunications and transportation. To have some federal role in these areas is essential to the revitalization of rural economies. The emphasis I would like to make is that federal policy used as leverage for state, local, and private sector resources like those of the churches should be directed toward creating locally based economies that as much as possible have the types of activities that are not going to leave and are not going to move.

The other side of that kind of comprehensive policy is, of course, education and job training. Federal leadership and partnership with the states in improving public education and fine-tuning job training to jobs that actually may exist in rural areas is essential. One thing I might mention that I have not heard much said about here is the importance of early childhood education. Head Start is probably the most successful poverty program ever developed. CORA has a model local non-profit organization called the Mountain Community Child Care Development Center up near Jelico, Tennessee. It gives high-quality educational care to 60 local preschool children every day and employs 12 to 15 local people. The center allows many women in that area to have jobs. I have helped that group raise money for the last five years. It should not be so hard to raise money for such activities, but it is. That type of educational effort should be encouraged as part of a comprehensive rural development policy.

Federal and state policies and agencies are so often geared to smokestack chasing kinds of activities that they do not spend enough time supporting locally based job creation development activities.

Rural development warrants a multi-level approach involving federal, state, regional, and local partnerships with the private sector. The federal role is essential for money and leverage. As long as the federal government is involved, it keeps rural poverty from being treated as an exception rather than a general condition and therefore keeps us from treating the symptoms rather than the causes. My advice would be to go for the comprehensive policy development. If we make the statement up front that we need a comprehensive approach and then prioritize within that framework, we are raising the right question and avoiding the problem of poverty policy being a misnomer in some ways. By this, I mean that policy to deal with poverty has the effect of institutionalizing poverty to some extent. Approaching the issue in terms of developing the entire rural community is a way to overcome that particular problem.

Finally, I want to raise the question of constituency building, which is part of what is going on here today. Our efforts at CORA are geared very much in that direction. We are trying to see what kinds of community and church partnerships can be formed in local areas in Appalachia where we are around job creation activities. That is partly a way to build constituencies for the kinds of policy advocacy that need to happen if the federal government is going to be involved. We also are trying to get the institutional churches to understand the dynamics of how poverty is an outgrowth of general economic conditions and therefore needs them as institutions to become advocates as well. We are going to need all the help we can get.

Response to Rural Poverty Paper: Western Region

Henry H. Carey
Director, The Forest Trust

I have been asked to speak to you today as a practitioner, someone who is dealing day-to-day with the challenges and rewards of economic development efforts in the field. You will see a number of correlations between the findings of the paper on rural poverty and my experience.

I am director of The Forest Trust, an organization of professionals dedicated to protecting and building the value in our nation's public and private forest resources. This task cannot be achieved without consideration of the welfare of the rural communities located in close proximity to forests. As has been so often observed in third-world nations, the welfare of human and biological communities is interlocked.

The promise offered by employment opportunities in forestry arises frequently in discussions of rural economic development and policy. Potential clients for community-based forestry crews include federal and state agencies and private landowners requiring such services as thinning, reforestation, timber stand examination, and erosion control. In the past, however, few efforts have been made to realize such opportunities.

The promise offered by employment opportunities in forestry arises frequently in discussions of rural economic development and policy. In the past, however, few efforts have been made to realize such opportunities.

The Forest Trust initiated a forestry development program in 1985 with the objective of generating economic development based on forest resources in the villages of northern New Mexico. Project activities developed to meet this objective initially focused on training for young people in natural resource skills and management. Rather than train local youth to take jobs elsewhere, The Trust intended that this program would attack some of the root basis of poverty and that these skills would enable trainees to secure employment in resource management and boost family income, if even on a casual basis. The Trust also developed a forestry services business to provide further training opportunities and ongoing employment for interns.

Poverty: Mora Profile

Mora County is the third poorest county in the nation. Unemployment is 30 percent. Outmigration for 60 years has increased steadily since the late 1960s. The percentage of county residents who are functionally illiterate is far higher than the national average.

The forestry services business was designed to complement existing patterns of employment in rural portions of Northern New Mexico. As you know, few rural residents in this area are employed in a single, full-time, salaried job. Instead, their work is split among several ventures: they are "multiemployed." By spreading economic dependence among many sources, a subsistence level is assured amid fluctuating market prices and employment opportunities.

In Mora County, for example, livestock and agriculture provide the economic base. A typical multiemployed head-of-household may run 12 head of cattle and 30 sheep on his small ranch. He may flood irrigate 10 acres of alfalfa, keep a small orchard, and tend a large subsistence garden. Two days a week he may work for wages at a construction job. On the side, he may rebuild diesel engines. Every few years he may cut a stand of trees to sell to the local sawmill or lease out unused pasture. All of these goods and services

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may be sold or traded, or both. Working hours, income, and non-monetary benefits vary widely over time, and relationships between the three change constantly.

The Forest Trust's initial approach has been to increase employment opportunities through our training program and forestry services business, both of which were designed to supplement the multiemployment profile. The Trust did not anticipate that any single employee would work consistent, 40-hour weeks or depend solely on crew assignments for income. These assumptions have been born out in experience. The business does provide a constant source of employment for qualified members of the community, but crew make-up varies from week to week.

The Forest Trust training program runs for seven to nine weeks, beginning each summer in June. The program consists of classroom sessions, field trips, and guest lectures for an average of 15 interns. The interns are trained in thinning, erosion control, reforestation, and timber stand examination techniques. Following the training program, there are four possible sources of employment for a forestry services crew: state and federal contracts, federal cost-sharing programs on private lands, work paid entirely by private landowners, and timber industry contracts. Forest Trust crews have worked on the first three of these.

The Forest Trust's experience indicates that significant hurdles must be overcome to ensure success of a forestry services business. Significant problems encountered in 1987 included lack of experience in contract negotiation and management for mid-level staff, cost control, equipment acquisition and maintenance, and intern recruitment. Frequent staff evaluations and rapid responsive action helped to resolve some of these difficulties.

Contract Negotiation

Since federal and state contracts are awarded solely on the basis of price, the first hurdle facing a forestry services business is to secure a contract in an extraordinarily competitive environment. At The Forest Trust, the bidding effort made considerable demand on mid-level staff to improve understanding of governmental bidding and contracting procedures, to improve skills in estimating costs, and to develop a pricing mechanism that would permit successful competition for contracts.

Formal procedures for submitting bids to the forest service are standard throughout the country and are generally the same for all kinds of work, from timber stand examination to research reports. Once these procedures are understood, the bidding process becomes automatic. However, learning to complete solicitation forms requires a thorough initiation and good clerical and business skills. Bid forms frequently can be hundreds of pages long.

Cost Control

Tight budgets are a natural outcome of the intense competition associated with the forestry services business. In order to keep close watch on a project's progress, the firm must have the ability to keep up-to-date financial records on payroll, equipment expenditures, and overhead on each project. Without careful bookkeeping, a project can go deeply in the red before management has time to respond.

An example of the need for close cost control is provided by a cost-share thinning contract that The Trust secured in 1986. The job was located within 10 miles of the office, with good roads passing close to the worksite. Work proceeded agonizingly slowly. Chain saws borrowed from the forest service as part of a cooperative human resources agreement proved to be antiquated and inadequate for the job. Morale problems resulted in other saws being abused and in costly downtime. Because workers were paid on an hourly basis, efficient production was not a priority goal. On one visit to the worksite, I observed two workers comfortably sharpening a chainsaw together--a one-man job. Other workers felled trees into adjacent stands in spite of previous training stressing safety risks and proper techniques.

The results could be quickly seen on the balance sheet. Where Forest Service contracts receive an average of $23 per acre for thinning and cost-share contracts pay $50, this project cost $250 per acre. Thus, this project resulted in a $1,200 loss to The Forest Trust. Although in this case the loss could be attributed to training costs, the lesson had to be learned quickly. More than one project of this magnitude would have had serious consequences for the business.

The forestry services business is not the only avenue that The Trust has been exploring, however. We are performing a market study on the demand for small timber product used in the adobe construction industry in the Southwest. Incremental improvements in market mechanisms in this industry could provide yet another consistent source of income for the rural multiemployed. In addition, this sector could help to provide work closer to home for some of the working mothers employed by The Trust.

Policy Proposals

In addition to other justifications for federal involvement in this area, I would add the ability of the federal government to contribute natural resources to a rural economic development program. A large portion of the contract awards The Forest Trust receives comes through the competitive bidding process with the National Forest Service. We are aware of a "set aside" program in which small, minority-owned businesses are guaranteed a percent of these forest contracts, regardless of bid amount. A similar program for economic development groups would enable such organizations to garner more work and help to cover training costs. Cooperation from the Forest Service in providing smaller stands of timber for harvest would also enable the smaller mill owners to successfully acquire raw products for processing.

There exist commonalities between our area and forested areas in Mississippi and Kentucky. However, there are also local and cultural idiosyncrasies that affect how, for example, crews work and what motivates them. A national approach must tap the local and regional cultural identities of the targeted groups in order to gain support and trust.

Finally, clearing deadwood and undesirable trees could reduce the risk of fire in the national forests and would offer crews the opportunity to provide fuelwood for sale and fencing materials for contracting opportunities.

Another area of concern regarding national approaches in problem solving is assessing local versus regional versus national approaches. It must be recognized that similarities link disparate areas of the country. There exist commonalities between our area and forested areas in Mississippi and Kentucky. However, there are also local and cultural idiosyncrasies that affect how, for example, crews work and what motivates them.

A national approach must tap the local and regional cultural identities of the targeted groups in order to gain support and trust. A successful program cannot develop without this key component. The idea is to work from within and to utilize the cultural values of the group to reinforce the project's goals.

Natural Resource Policy

Roy R. Carriker, University of Florida
Larry Libby, University of Florida

Certain linkages between natural resources and economic activity are obvious. Farming, forestry, fishing, and mining are all basic industries with direct ties to natural resources. In each case, the natural resource represents wealth that may be converted to a flow of income with the application of some effort and, usually, some investment in the development of those resources. Many communities throughout the United States owe their economic livelihood to one or more of these basic industries and the natural resources upon which they depend.

A less obvious but equally important linkage between natural resources and economic activity are those amenities and services that natural resources provide "on site" as environment and habitat. The lake and forest ecosystems of some regions, for example, represent long lists of services valued by people, though not easily converted to monetary measures. These and other attributes of natural resources in the environment are significant economic assets for the community--assets that may deteriorate and therefore depreciate in value in the absence of reinvestment.

If we take "rural development" to mean focused change in the well-being of rural residents, it makes sense to examine the natural resource linkages to the economic, cultural and environmental well-being of those rural residents. More specifically, it makes sense to examine those linkages which can be enhanced by selective adjustments in public policies and programs.

This paper focuses on federal government policies and programs. It is intended to stimulate discussion and fresh ideas for guiding federal policy in pursuit of rural development objectives.

History of Natural Resource Policy

The United States has a tradition of using natural resource policies to attempt improvements in the well-being of rural citizens. Some programs, such as the Homestead Act and the Reclamation Act, clearly had economic development as objectives. The underlying conviction seemed to be that economic opportunity would result if natural resources could be placed at the disposal of willing and enterprising yeomen. The United States also made investments in education for its people and in formal research by which to enlarge the base of knowledge for education. Conditions favored the development and application of new technology. Consequently, newly discovered knowledge was quickly translated into technical change by an increasingly literate and technically skilled people. A result of this phenomenon was that the primary natural resource industries--agriculture, forestry, mining, fishing, and hunting--became declining industries in the sense that they had excess labor resources: capital and entrepreneurship were substituted for human and natural resources.

The United States has a tradition of using natural resource policies to attempt improvements in the well-being of rural citizens.

In addition to its programs to improve the availability and productivity of natural resources in rural areas, the federal government has played an historic role as a major landowner. The federal government owns about one-third of all the land in the United States, a total of about 700 million acres. For many years, federal statutes encouraged economic development of federally owned resources by private parties under rights and privileges granted by federal land management agencies. Mineral extraction, grazing, and timber harvesting were the principal activities undertaken on federal lands. For many years the economic development of federally owned natural resources was generally supported enthusiastically by pro-development local interests.

A new era of federal natural resource policy began as the environmental movement found its stride during the late 1960s and the early 1970s. The new environmentalism represented something of a departure from the political rationale of the traditional natural resource programs of the past. The traditional viewpoint saw people as managers of nature, using natural resources to support the continued material prosperity of the nation. Environmentalists went beyond the argument that natural resource development for material welfare created undesirable side effects in an otherwise desirable industrial production system. They raised questions about the system itself and about the economic arrangements that perpetuated it.

Congress responded to the agenda of the environmentalists. Beginning with the National Environmental Policy Act of 1969, which, among other things, created the Environmental Protection Agency, Congress passed several major pieces of environmental legislation of sweeping significance. Measures designed to protect and improve water and air quality were passed. Measures were instituted to control the disposal of hazardous wastes and to clean up sites already contaminated. Measures were adopted to regulate the sale and use of pesticides and to assure safe drinking water. Other legislation provided for the protection of coastal wetlands and for the preservation of certain wilderness areas. Although funds were appropriated for research and education to achieve environmental quality goals, the backbone of the new environmental programs was in their regulatory framework.

The federal government owns about one-third of all the land in the United States. Local communities that are dependent on economic activities originating on federal lands are especially vulnerable to changes in policies affecting federal lands.

The trend in federal emphasis on environmental cleanup and protection was also reflected in those federal statutes governing activities conducted on federal lands. Increasingly, the discretion of the Bureau of Land Management and the Forest Service has been restrained by Congressionally mandated land planning processes and agency obligations to manage land on multiple use, sustained yield principles. These trends in federal policy for the management of public lands and associated resources reflect growing sensitivity to social and environmental concerns beyond the commercial development of natural resources.

Current Status

The economic development rationale of traditional natural resource development and conservation programs has always been straightforward. However, serious questions have been raised about the net economic effects of those programs, and much has been written about the need to avoid investments that create adverse economic or environmental consequences. Water resource development programs have been especially popular with federal elected officials over the years. Theoretically, however, no net regional benefits can result from such federal natural resource investment programs if there is full employment in the economy. And when net regional benefits are nonexistent, public investment in natural resource projects simply redistributes income among regions. For example, research has shown that 6.4 million acres of new land equivalent from Western Bureau of Reclamation programs had its main effects in the South, where perhaps 480 million dollars worth of production was displaced. Since 480 million dollars was, at the time, about five percent of gross farm income in the South, it may be that one farm worker for every twenty remaining in Southern agriculture was displaced by Western reclamation. If resource investment policies can be shown to stimulate a net increase in national income, then perhaps they can be justified independently of their income distribution effects. If they cannot, then their effectiveness in accomplishing other objectives must be assessed.

A new view of natural resource policy and its relationship to rural development objectives may be emerging in the context of the more recent trend toward environmentalism as the driving force behind federal efforts. There has been a major shift in beliefs about what natural resource policy can do and should do--a shift toward greater emphasis on the use of resources in environmentally benign ways. This shift in emphasis attaches greater importance to the "on site" services and amenities of the environment that link natural resources and economic activity. While technological innovation has made traditional natural resource based industries less dependent on human labor and more dependent on capital investments, many counties throughout the nation have experienced job and income growth from recreation and tourism--both of which place a premium on the amenities provided by a safe and clean environment.

In some instances, however, environmental regulatory programs may impose restrictions on economic activity or require compliance with performance standards in a manner that poses severe fiscal problems for local communities. In these cases the economic and environmental benefits achieved through environmental protection programs may be offset by local loss of jobs or nonenvironmental public services.

The management of public lands has been the source of long-standing concern for those local communities that grow up and depend on the economic activity taking place on surrounding or nearby federal lands. Changes in federal policy regarding the use of public lands can help or hurt the resource dependent communities in mining or timber regions. In addition, the aspirations of state or local units of government for control of their own environmental programs may be preempted by nonconforming activities on federal lands or by failure of the federal natural resource management agencies to account for local impacts of their decisions.

In all, the implications of natural resource policies for rural development appear in four ways:

1) Federal investment in natural resource development projects for which net regional benefits are possible may create new jobs and income in targeted communities without displacing opportunities elsewhere.
2) Federal programs for environmental protection may yield long-term economic benefits to rural communities that experience growth in such environmentally responsive activities as recreation, tourism, and retirement.
3) Federal programs for environmental protection may require loss of jobs and public services in some communities unless special care is taken to mitigate those losses or to offset the costs of compliance.
4) Local communities which are dependent on economic activities originating on federal lands are especially vulnerable to changes in policies affecting the management of federal lands, as well as to changes in management strategies used by the federal land management agencies.

Issues

Much of federal policy pertaining to natural resources pursues objectives of conservation or environmental protection, and rural development issues are generally not considered in the same forum as natural resource policy issues. To identify rural development issues in the context of natural resource policy is a novel exercise. However, the linkages between natural resources and rural development are the key to identifying rural development issues inherent in natural resource policy.

Three issue areas are apparent:

1) Unrealized potential for developing natural resources.
2) Distribution of costs of environmental protection.
3) Local community impacts of federal land management decisions.

Evidence of these issues is largely anecdotal, rather than general. The following discussion of issues will be couched in specific examples.

Unrealized Development Potential: Mined Land Reclamation. In the mountainous coal mining region of the Eastern United States, the steeply sloping "points-and-hollows" terrain creates a short supply of land suitable for residential, commercial, and industrial development. Given the need for and potential value of developable sites, at least one analyst has suggested that the surface mining industry could also engage in the preparation of such sites. Mining methods capable of producing favorable topographies are termed "landform alteration" (LA) methods. However, surface mining operations seldom use opportunities to reconstruct mined-out slopes to usable contours. The contour mining methods have been affected by implementation of the federal Surface Mining Control and Reclamation Act of 1977 (SMCRA). A key part of SMCRA is a requirement that land surface mined for coal be returned to its "approximate original contour" (AOC), except when a variance is obtained.

There is a need for demonstrations of LA techniques to show that truly developable sites can be produced and to refine the criteria for identifying locations best suited for development. There are several reasons why demonstrations are needed. One is that the "shoot-and-shove" method of surface mining, which was used widely before enforcement of the SMCRA, was regularly justified by the assertion that it created developable flat land, but, in fact, rarely created land suitable for developable sites. Another reason is that LA techniques must be used in conjunction with local planning for utilities development and provision of services, and for location of developable sites away from other, nuisance-creating activities. A third reason is to enable mining operators to gain experience with institutions that can assist in bearing risks associated with use of the LA procedures. Since the region lacks experience with the economic results of creating developable sites and since the mine operator becomes, in part, a speculator creating land that has some aspects of a public good, there is a role for an institution that can share in bearing the risk associated with the speculative aspects of using the LA procedure. Finally, demonstrating the LA procedure will enable the surface-mining industry, the regulatory agencies, the local governments, and the public to learn the problems, costs, risks, and benefits that occur when the LA technique is used rather than the widely used method known as approximate original contour.

An important element in the decision process relating to siting waste disposal facilities is whether the decision is imposed or whether it is voluntarily accepted in return for compensation. Compensation would offer an opportunity for those who enjoy the lifestyle that generates waste to compensate those who provide the space within which to dispose of those wastes.

Unrealized Development Potential: Siting Waste Disposal Facilities. The federal government has responded to the problem of hazardous waste production and disposal with the Resource Conservation and Recovery Act of 1976 (RCRA) and the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA). Federal and state agencies have used these two statutes almost exclusively to track hazardous waste from "cradle to grave" and to fund landfill cleanup. The RCRA cradle-to-grave system consists of the identification and listing of hazardous waste; a manifest system (a filing system) used to track waste; management standards and a permit system for treatment, storage, and disposal facilities; and 30-year post-closure (post-operational) requirements. CERCLA, or "superfund," provides for emergency response and cleanup in the event of a threatened or actual release from a hazardous waste site. CERCLA imposes strict liability on generators, transporters, and past and present owners or operators of hazardous waste facilities for the cost of remedial action and damage to natural resources, but not for pollution victim compensation.

There are practical and political limits to disposal of hazardous wastes. Evidence of this includes the widespread opposition of communities to placing any hazardous waste facility in their own neighborhoods. The Office of Technology Assessment attributes this opposition to health and safety concerns, fear of economic losses, and the perception that industry and government cannot prevent adverse consequences. One approach to this problem would be to institute policies that encourage or require waste reduction, reuse, and recycling--thereby significantly reducing the volume of hazardous waste for which disposal sites must be found. However, siting of residual hazardous wastes would still pose problems for local communities.

An important element in the decision process relating to siting waste disposal facilities is whether the decision is imposed or whether it is voluntarily accepted in return for compensation. Compensation, accompanied by careful attention to aesthetic, health, and environmental safeguards in the design and operation of the facilities, would offer an opportunity for those who enjoy the lifestyle that generates waste to compensate those who provide the space within which to dispose of those wastes. Compensation needs to be considered against the prospect that the disposal areas will be rendered unfit for future use or unsafe for future habitation.

Unrealized Development Potential: Timber Production. A 1983 study produced estimates that between two million and 17 million acres of crop and pasture land in nine Southern states would produce greater net returns from forestry than from either crop production or pasture. Moreover, the demand for pine timber is expected to double over the next 45 years. Pine lands in forest industry ownership, while managed efficiently, cannot produce much more than they do today; and the total acreage of industrial lands is not expected to increase. These factors imply that an increased percentage of the timber supplied to sawmills will be supplied from non-industrial lands. Non-industrial private landowners control about three-quarters of the forests of the South. Periodic surveys of standing timber have revealed a steady decline in soft wood stands on non-industrial private lands. Some of the following reasons were given most frequently by the landowners to explain why harvested timber land was not reforested: (1) it costs too much, (2) the return on investment is too far in the future, (3) the return on the investment is too low, (4) there is too much red tape involved in obtaining technical or cost-sharing assistance, and (5) the investment is risky because of fire and pests.

An opportunity to assure future flows of income into timber-producing areas may be missed for lack of adequate investment in forest establishment or in reforestation.

Whether or not these views are accurate, they present severe obstacles to any campaign to increase timber production on marginal agricultural lands, as well as on harvested timber land. If shortages develop over the next 45 years, they will be resolved in one or more of four ways: (1) increased prices--a boon for landowners with harvestable timber stands, (2) better utilization of harvestable timber, (3) imports of both timber and finished products, and (4) substitution of other materials for wood. An opportunity to assure future flows of income into timber-producing areas may be missed for lack of adequate investment in forest establishment or in reforestation. A variety of economic incentives already exists for growing trees, such as the Forest Incentive Program administered by the U. S. Department of Agriculture's Agricultural Stabilization and Conservation Service. However, as long as there are similar programs for agriculture, the competition for the marginal agricultural land will continue, with net returns possibly being higher for forestry, but not sufficiently higher to cause widespread conversion to forestry.

The Costs of Environmental Protection: Paying for Clean Water. The Safe Drinking Water Act of 1974 requires community water supply systems to meet national drinking water quality standards and requires the states to monitor water supply systems for compliance. The Clean Water Act of 1972 (as amended) requires all community wastewater treatment facilities to comply with quality standards for effluent. Compliance is expected regardless of prospects for federal financial assistance. However, small communities often face special problems in planning, building and managing water supply systems and wastewater treatment facilities. These communities often have difficulty financing facilities and have limited expertise in contracting, construction supervision, project management, financial management and operation and maintenance. Small communities generally experience high project costs, high financing costs, and high user costs. They also face limited federal funds with which to meet these costs. The immediate issue is whether or not local communities can afford the cost of water supply and waste treatment facilities that will bring them into compliance with federally mandated standards for water quality. In a larger sense, the issue is one of determining who should pay the costs of clean water, especially in those cases where the problem is not unwillingness to comply with standards, but fiscal inability to do so. EPA has acknowledged the problem and has responded constructively with an outreach program designed to make information available to local officials and others who need it. Spokespersons for small systems say information is not enough--federal funding assistance is essential. They say too many small communities are already strapped for funds and cannot adequately maintain roads or provide minimal social services.

The Costs of Environmental Protection: Pesticide Regulation. Under provisions of the Federal Insecticide, Fungicide, Rodenticide Act of 1972 as amended (FIFRA), the EPA examines the risks of pesticides, weighs those risks against the benefits, and decides whether any pesticide should be removed from the market. Pesticides are used to reduce losses in crop yields caused by insects, diseases, nematodes, and weeds. The EPA program recognizes that pesticide use may create environmental and safety risks under certain conditions.

Removing agricultural pesticides from the market may reduce the efficiency of crop production. If crop losses and cost increases are great enough and involve large geographic regions, effects could occur throughout the economy. Total production would decrease and crop prices would increase, so consumers would bear a substantial portion of the costs of pesticide regulations. Although aggregate farm income might increase as commodity prices rise in response to yield declines, the effects might be adverse for some categories of farmers and for some producing regions.

The issue is one of determining who should pay the costs of clean water, especially in those cases where the problem is not unwillingness to comply with standards, but fiscal inability to do so.

A recent study reveals an interdependence among regulatory decisions. Removal of a pesticide from the market reduces the number of alternatives available for future consideration. And although the effects of removing a pesticide from the market may be minor, removal may increase the economic effects of future decisions to remove other pesticides from the market. The current regulatory process does not account for this interdependence and could result in substantially harsher economic effects over time than would an approach which accounts for the interdependence.

Federal Lands and Local Communities. In eleven Western states, the federal land holdings account for 48.1 percent of the total land area. The United States Forest Service and the Bureau of Land Management are the dominant land management agencies for federal lands in the region. The size of the federal land holdings invites political movements, like the Sagebrush Rebellion, which asserted that the federal presence dominates local life. Environmental protection versus economic growth and development has proven to be a divisive issue.

Those who argue for economic growth and development of federal forest lands argue that federal management is too restrictive. They argue that more efficient management of timber stands now in federal ownership would result from transfer of management to the states or to the private sector. Environmentalists, on the other hand, see federal ownership as the best means of securing protection for the diverse ecosystems of the West.

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For complex reasons, however, some analysts argue that economic benefits to the region from timber production are probably greater under Forest Service management than under state or private management, and that more land would revert to wilderness if the federal government turned over the federal lands to states or to private owners. This argument turns on the fact that costs of timber management on Forest Service lands in many regions is high, resulting in Forest Service timber sales below cost. Although advocates of federal divestiture argue that this is evidence of inefficient federal management, analysts respond that high management costs on federal lands occur because (1) much national forest land, when compared to private forest lands, is inherently less productive and (2) the Forest Service manages in response to multiple objectives, rather than just for commercial timber production. According to this argument, if national forests were offered to the states or for sale to private interests, only the most productive national forest lands would find buyers or would continue to be managed under state control. The rest would remain in federal ownership. Much forest land now under sustained-yield Forest Service management would go out of timber production under such circumstances and would revert to wilderness. Total timber production would decline in the region. An estimated 80,000 workers directly depend upon national forest timber. It may be, then, that the "uneconomic" operation of a national forest represents a subsidy to local communities.

Environmental protection versus economic growth and development has proven to be a divisive issue.

The issues surrounding federal land management and local community stability are complex and controversial. There is good reason to believe, however, that a decision that would destabilize the existing community and its facilities by reducing the flow of timber should be carefully examined, because efficiency criteria, if carelessly applied, would overlook the real social costs of idle capacity and unemployed workers.

Justification for Federal Government Role

Neither natural resource policy nor rural development policy is the exclusive domain of the federal government, nor should they be. But there are several reasons why a federal government role may be justified:

- Coordination, if not uniformity, is needed across state and regional boundaries in the implementation of regulatory restrictions on development activities for purposes of environmental protection. Otherwise, polluting industries, for example, might flee states having stringent environmental programs and relocate in states having less stringent requirements.
- Since problems such as air and water pollution transcend state boundaries, measures to address these problems become a legitimate role of the federal government according to legal doctrines relating to the public trust and to interstate commerce.
- The market does not perform well in allocating resources where public costs and/or benefits exist separately from the private costs and/or benefits.
- The history of federal government programs for natural resource development and environmental protection has created a legacy of waste and destruction that cannot easily be ignored by federal officials. A continued federal role in these areas is a foregone conclusion. It is therefore appropriate to examine the implications of these programs for rural development.

Federal Resource Policy Options

How would federal policy for natural resource development and environmental protection have to change in order to better serve rural development objectives? This question guides the search for federal policy options to improve the well-being of rural residents through the linkages between natural resources and the economic, cultural and environmental health of rural communities.

Three key areas of federal natural resource policy can be explored for their rural development potential:

- Increase federal investment in natural resource development programs which may create new jobs and income in targeted communities without displacing opportunities elsewhere.
- Implement federal programs for environmental protection to yield long-term economic benefits to rural communities.
- Manage federal lands to provide local community stability.

Increased Natural Resource Development

The federal government could maintain or increase its investment in several categories of activities designed to enhance the flow of benefits from natural resources.

- **Information and Education.** Sometimes rural residents miss opportunities to improve their well-being because they are unaware of opportunities to do so. Information about expected future returns to reforestation of harvested timber land, or information about existing federal and state incentive programs for reforestation are examples. So is information about the advantages (or disadvantages) of participation in such programs as the Conservation Reserve Program, administered by the U.S. Department of Agriculture.

- **Economic Incentives and Technical Assistance.** Technical assistance, including funding for demonstration projects, can help rural communities overcome their relative disadvantage in being able to fund such potential stimulants to income as, for example, the creation of developable sites during contour-mining reclamation. Increases in funding for such programs as the Forest Incentives Program and the Conservation Reserve Program can boost participation in these programs and channel resources into targeted communities or regions where assistance is especially needed. Problems can arise, however, with incentive programs for such activities as soil conservation and reforestation. When incentives to convert farmland to timber are very attractive to landowners, some local communities may see dramatic shifts in land use. Such changes could prove traumatic for those local businesses that depend, in this example, upon sales to farmers for their livelihood. In other words, care must be taken to see that assistance to one sector of the economy does not create unanticipated or unmitigated hardships on another sector. Attention should also be given to the extent to which incentives for production, conservation, and development conflict with each other, as in the case of agricultural commodity programs that encourage continued production on erosion-prone soils. (For example, the Conservation Reserve Program, along with measures known as "sod-buster" and "swamp-buster" provisions have already been implemented in response to this type of problem.)

- **Promotion of Increased Research.** The knowledge base upon which ideas for demonstration, technical assistance, and education can be built depends heavily on formal research and related scholarly work. While new ideas can be developed through experience, trial-and-error could prove to be ruinously expensive as a method for refining knowledge and understanding. New product development (i.e., new construction materials made from timber products), new institutional forms (i.e., arrangements for sharing the cost of risk in the creation of developable sites from contour-mining reclamation), and new merchandising techniques for locally produced goods and services are all possible through targeted research.

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- **Export Promotion.** Promotion of exports has been mentioned as a method of assisting the timber industry and the farming industry, and by extension, rural communities with timber and farming as a part of the economic base. Export promotion programs are among the options for federal policy. However, experience in agriculture demonstrates the down side of export dependence--macroeconomic monetary and fiscal policy decisions can create a climate in which exports abruptly disappear.

Environmental Protection

Environment protection involves regulation and the creation of economic incentives to maintain the quality of land, air, water, and other resources. Options for achieving these objectives while encouraging economic development include:

- The fiscal burden of compliance with environmental quality regulations could be limited by creating special exemptions from compliance for disadvantaged communities. The advantages to some communities of such an approach might be offset in the long run by the subversive effect such an approach would have on environmental programs in general.

- Assistance could be provided by the federal government to local communities having genuine difficulty complying with wastewater effluent standards, drinking water standards, air quality standards, and hazardous waste disposal regulations. Comprehensive pollution control strategies compatible with the needs and resources of small communities could be given increased emphasis. Several alternatives have been suggested:

    - Federal block grants that could be used for the most urgent environmental problems in communities demonstrating the greatest need for assistance in compliance.

    - A special technical assistance coordinator who would help a community determine the most cost-effective way of meeting various environmental requirements.

    - Phased implementation of federal requirements when concurrent implementation would be too costly (as when a community is faced with developing new waste treatment, water supply, and solid waste disposal systems simultaneously in order to comply with federal pollution control standards). The interactive effects of federal environmental regulatory programs could be examined for their potential impacts on rural communities, and those programs could be implemented in ways that minimize the adverse impacts. EPA regulation of pesticides is an example of a program for protection of the environment and public health which can possibly mitigate adverse impacts on regional economies by the order in which pesticides are considered for registration or cancellation.

- The potential exists for more rural communities to capitalize on attractive aspects of the natural environmental characteristics of some rural settings. Retirement communities do not require industrial infrastructure or major transportation arteries. Retirees on pensions have great flexibility in location of residence, and their retirement checks constitute a recession-proof source of income upon which a service-oriented local economy can be built. Outdoor recreation is another prospect for communities endowed with an attractive natural environment. This is another area for federal funding of research, education, and demonstration projects in order to discover how best to foster such environmentally compatible economic development options for some communities.

Policy for Federal Land Management

- The federal government could divest itself of its landholdings. Known as "privatization," this option, in the view of its advocates, would result in more efficient use of natural resources now in federal ownership and under federal management. Sale of federal lands would generate much-needed revenue for the federal government and eliminate costly annual expenditures for federal management. Private owners, it is argued, would quickly develop those resources without being mired by bureaucratic decision processes and restricted by "unnecessary" requirements for conservation and environmental protection. In this view, local incomes would increase because more timber, minerals, etc. would be developed for sale. Critics of this approach point out that increased production from federal holdings would drive prices for timber and minerals down to such an extent that net revenues from the sale of those resources would decline. Meanwhile, local communities would have lost the stabilizing influence of annual appropriations for timber and land management by the federal government, as well as payments to states in lieu of taxes on federal lands.

- The federal government would retain ownership but would make management decisions with greater sensitivity to local communities. When federal holdings approach fifty percent or more of the land in certain regions, impacts of federal land management decisions on local communities can be significant. These concerns extend to such matters as federal pre-emption of state and local environmental programs, limiting the ability of local interests to prevail in economic and environmental matters. Increased emphasis on local concerns and interests in the decisions of federal land management agencies is an option for federal policy.

Priorities

This paper represents an attempt to focus the issues relating federal government natural resource policy to the general objectives of rural development. The purpose is to stimulate discussion of ideas for new federal initiatives. It would be important that each issue and policy alternative discussed in this paper be studied in greater detail before serious proposals for political action be implemented. Some issues and alternatives may, on closer examination, prove to have more merit than others in terms of real potential for addressing rural development problems. Other issues and alternatives have no doubt been overlooked or omitted. It would also be important to identify which committees of Congress, which agencies of federal government and which public or private interest groups have a key role to play in policy making relative to the particular issue area for which new policy initiatives are being considered. One of the inherent difficulties of using natural resource and environmental policy as a vehicle for addressing rural development issues is that the policy making context is dispersed and cannot be engaged through contact with only one Congressional committee, one agency, or one political interest group.

Response to Natural Resource Paper: North Central Region

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Common sense tells us that whatever task we undertake, we should make the best use of available resources. It follows then that for the thousands of rural communities that blanket the Great Plains and Western Corn Belt, and cluster in other regions as well, agriculture should play an extremely important role in the task of revitalizing its economies.

It is surprising, therefore, that the words "agriculture" and "rural economic development" are rarely spoken in the same breath. For most rural economic development analysts, "agriculture" is an unmentionable word: the industry is considered too weak and too insignificant to contribute to economic growth. For others, the support of production agriculture is the only solution to rural economic problems: solve the problems of farmers and everybody else's problems will go away.

Neither faction addresses the fact that agriculture has been a major factor in rural community decline for decades. Long-term changes in agricultural structure and practices have depopulated rural communities by replacing labor with capital, taken trade away from local businesses, and degraded and polluted the environment. Because these two factions fail to see the fundamental problems in agriculture, they fail to see agricultural reform as a solution to the decline of rural communities.

We believe that agriculture can be the foundation for rural economic development in this region if it is reformed to be more sustainable and more equitable.

The paragraphs that follow will discuss the relationship between agriculture and rural community welfare, sustainable family farming as the rural economic base, and strategies for building on that base.

Agriculture can be the foundation for rural economic development in this region if it is reformed to be more sustainable and more equitable.

The Role of Agriculture in the Rural Economy

Many analysts point out that agriculture no longer dominates the rural economy: less than 30 percent of rural counties in the U.S. are classified as "farm dependent" by the USDA. Consequently, they say that agricultural development, even if feasible, would not have a major impact on the overall rural economy.

These analysts seriously underestimate the economic importance of agriculture to rural communities. First of all, they have defined "rural" very broadly to include all nonmetropolitan counties in the U.S. which may have cities of up to 50,000 people. Only a third of these counties are truly rural by the U.S. Census Bureau criteria of having no town of 2500 or more. Secondly, "farm dependent" has been defined very narrowly, as at least 20 percent of county personal income generated by farming or ranching. Net income from farming and ranching is a poor indicator of economic importance.

The "farm dependent" statistics really don't give a true picture of agricultural dollars circulating in a community. Farm operations require inputs and services from mainstreet businesses and local governments. In agricultural communities, the incomes of people employed at banks, schools, hardware stores, feed and fertilizer dealers, cafes, etc., are dependent on both the farm population and the farm operations. Yet many of the counties in which farming or ranching is the only significant activity that generates wealth (i.e., little or no manufacturing, tourism, etc.) are not considered to be "farm dependent." There is clearly something wrong with a definition of farm dependence that excludes 36 percent of Nebraska's nonmetropolitan counties.

Some policymakers acknowledge that nonagricultural rural development strategies face a real challenge in this region. Yet they stop short of proposing agricultural-based strategies, and some suggest that our only option is to try to manage the inevitable regional decline.

One reason policymakers are so reluctant to look to agriculture for rural economic development opportunities is their belief that agriculture is a weak and declining industry. Since there is little possibility for expanding markets, they see no opportunities for overall growth in agriculture and increases in employment. In fact, they predict declining employment on the grounds that further farm consolidation will be necessary in order for us to remain competitive.

Not everyone, of course, buys this gloomy view about the future of agriculture. There are many who claim that agriculture can recover given the right kind of farm program and that a strong farm economy is all that rural communities really need. Those who espouse this view have forgotten that rural communities have declined even under periods of strong agricultural growth; why should we believe that strengthening the farm economy now will reverse the long history of decline?

Farm Structure and Rural Community Welfare

Although rural communities have been hit hard by the recent farm crisis, this is not the fundamental reason for rural community decline. A major problem that rural communities face, and have suffered under for decades, is the ongoing change in the structure of farming. The trend has been a change from small-scale, diversified family-owned and operated farms, toward large-scale, capital-intensive, specialized operations, where ownership, management and labor are separated.

There is a substantial body of research that documents how this change in farm structure has lead to rural community decline. The most obvious impact has come from the decrease in the number of farms and farm residents. Between 1950 and 1980 the number of U.S. farms was cut in half while farm size doubled and farm residents declined by two-thirds.

It is the number of farms and the size of the farm population, not the number of acres farmed, that affect the level of local economic activity derived from farming. Consolidated farms bring less business to the local community than the total of the original farms. They have less demand for machinery parts, fuel, and services. There may be fewer buildings to construct or maintain. Very large-scale operations are more likely to bypass local retailers to buy in bulk from large, urban businesses.

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When one farm operation is taken over by another, the community is very likely to lose a family. Losing farm people means losing trade for local businesses and demand for local services. This reduces profits, employment opportunities, and eventually the number of main street businesses. More people are forced to leave the community to seek employment elsewhere. Farm families who need off-farm income will find few opportunities and may be forced to sell out to a larger operation, accelerating the community decline cycle.

A less obvious impact of the changes in farm structure is a growing economic disparity among community members. Numerous studies have found that large-scale operations with hired management and labor tend to create a wealthy, land-owning elite while laborers, small-scale farm operations and other small business operators struggle on relatively low incomes. This trend threatens the traditional, egalitarian characteristic of rural communities, as well as eroding its social and economic structure.

Clearly, an important rural economic development strategy then is to reverse the trend of farm consolidation and provide more opportunities for new and rebuilding farm operations. We believe that sustainable, family farm agriculture provides the best opportunity.

Sustainable Farming for Sustainable Communities

Agricultural communities, like mining and lumber communities, depend on and reflect the resource base surrounding them. If you arrived blindfolded in a farm town and took a walk down mainstreet, you would be able to identify the agricultural base within seconds. The grain elevators and implement dealers give it away. The coming and going of pickups and farmers, identifiable by their clothing, caps, and holstered pliers, confirm the choice.

These towns reflect their resource base so closely because they owe their existence to that base. An economic development strategy that denies that relation is a form of *self-denial*, and, from a practical standpoint, the successes of such a strategy will be limited.

For the typical Midwestern agricultural community, a sustainable policy of rural economic development must be based on an equally sustainable policy for agricultural development. If agricultural development is not sustainable over the long haul, then neither is the future of those agriculturally dependent communities. This is not to say that the community should not seek to diversify its economy--it should--but in these communities our wagon is hitched to agriculture, and positive changes in agriculture will have a much more positive impact on the larger community than most flash-in-the-pan schemes that are not locally rooted.

In these communities our wagon is hitched to agriculture, and positive changes in agriculture will have a much more positive impact on the larger community than most flash-in-the-pan schemes that are not locally rooted.

So what are these sustainable agricultural policies and how do they affect our communities? There is no one giant "sustainable" solution with which we can instantly rebuild our communities' economies. Instead, these sustainable agriculture practices are more like bricks that can only be laid down carefully one after another to build a new structure. Here are some of the bricks:

Diversity vs. Specialization

In nature, the more sustainable communities are very diverse. Diversification, or "not putting all of your eggs in one basket," traditionally was one of the basic strategies of farmers for reducing risk and could be used to advantage in providing a more integrated farm operation. Although many have abandoned diversification in recent years, the strategy is still appropriate and can be implemented in a variety of ways in farming. For example, crop rotations that include sod-producing plants and legumes result in a large number of beneficial results. Within a particular field, interseeding, interplanting, use of field windbreaks, terraces, or narrow-strip cropping result in increased diversity.

Livestock is an important component of diversification. They can increase the environmental sustainability of agriculture by making it feasible to include grasses and legumes in a crop rotation. They help break up the insect and weed cycles, replenish nitrogen, and reduce soil erosion. Ruminants make it possible to utilize forage grown in a rotation while at the same time they play an important gleaning and salvaging role which makes better use of existing farm resources. Hog production has always been a way to add value to feed grains grown on a part of the farm.

In addition, the number of market options increases when livestock are a part of the farm. Usually options are more limited when there is a high degree of specialization and large capital investments are made. Highly specialized livestock confinement facilities have displaced wide dispersion of livestock on the land. This has resulted in the substitution of purchased inputs to replace the beneficial relationships that result from integrating livestock, forage, crop, and pasture production.

Low Input vs. High Input

Family farms and rural communities are almost literally being liquidated to pay for high-input practices and technologies. Most of these high-input practices assumed that the monetary costs of implementing these technologies would be offset by increased production along with stable prices realized from a growing export market. The "farm crisis" revealed the economic hazards of high-input technologies. In addition, environmental hazards represent additional costs of using agricultural chemicals. Both of the economic and environmental costs have increased the attractiveness of more sustainable, low-input farming practices.

Besides being expensive and hazardous to the environment, these high-input technologies are constantly being changed and improved. One technology complements another, making it very difficult for small- and moderate-sized farms to stay on the "technology treadmill." Thus, the high-input technologies have become a "voluntary" means of moving farm families off the farm and in many cases eventually out of the community.

Low-input farming practices are less dependent on off-farm purchased products and more dependent on making better use of existing farm resources. These include using soil-building practices and the use of biological pest and weed control. This does mean that suppliers of agricultural chemicals will have reduced sales. However, farm families will continue to buy other products and services with their disposable income. If these products and services are locally owned, the dollars will be circulated to a greater extent within the community rather than being funneled out to energy or chemical companies.

> **The high-input technologies have become a "voluntary" means of moving farm families off the farm and in many cases eventually out of the community.**

Stewardship vs. Exploitation

Bountiful resource endowments of rich soil and pure water enabled farmers to use intensive farming practices to increase their production. This increase in productivity was at the expense of cashing in on natural deposits of organic matter, natural fertility, and soil structure along with the pollution of surface and groundwater. Some argued that these resource endowments could be exploited because their deterioration could be masked by the purchase of off-farm inputs. Experience has proved this wrong.

Farmers as well as residents of rural communities are now beginning to recognize the need for more sustainable farming practices. They understand that when soil erodes it carries along to rivers and streams the various chemicals that have been applied to the land. These chemicals also percolate into the groundwater, polluting the drinking water of many rural communities' farmsteads.

The farming systems that exist within the boundaries of the fence are extremely complex, as are the interrelationships between the farming systems and the larger community economic systems. As a result, big solutions to farm and community problems usually fail. A more sustainable approach is to redefine each problem so that smaller, sustainable actions can be taken.

Family Farms: Suited for Sustainable Development

Sustainable agriculture is not a "horse-and-buggy" way of farming. It is based on a technological revolution that may prove to be as important as the mechanization and chemical revolutions of a few decades ago.

Its technologies are "know-how" intensive and resource-conserving, uniquely blending practical on-farm experiences and sensitivity with laboratory research and materials. Making the new technologies work will take a blend of this individual enterpreneurialism with a willingness to experiment with unproven ideas and techniques. Making sustainable practices work also takes a long-term commitment.

These are precisely the advantages of smaller family farms. The economic and biological dynamism of smaller family farms, especially diversified crop and livestock farms, makes them leading candidates for adopting sustainable innovations. The fact is, they had begun adopting "sustainable" methods long before the term became fashionable. By contrast, large-scale industrial farming units lack both the farm-specific biological sensitivity and the long-term commitment needed to invest in sustainable agriculture practices.

From the financial perspective, family farm units are traditionally lean and flexible. Contrary to popular impressions of the current farm-debt crisis, large-scale units are more likely to be experiencing financial stress than smaller units. Financially brittle larger units tend also to be more locked into farm programs requiring the comparative security of predictable program prices. Finally, these large units are locked into the mindset that capital is the leading component in agriculture development. By contrast, most sustainable agriculture technologies are less likely to depend on capital than on the individual know-how and farm-specific sensitivity possessed by family farms.

In short, large-scale, capital-intensive, specialized, program-dependent, shareholder-owned agriculture units are likely to lack the flexibility needed to take advantage of sustainable agriculture technologies. By contrast, appropriately scaled, know-how intensive, diversified, owner operations have the flexibility and long-range perspectives to take advantage of the emerging sustainable technologies.

Building on Agriculture

Production is only one part of the agriculture industry. Most of the wealth generated by agriculture is in inputs and value-added operations, not in farming and ranching, and most of these enterprises are based in urban or metropolitan areas. Many analysts have noted that this agricultural region is like a Third World country that exports its raw commodities to be processed in the industrialized upper Midwest or East and imports the finished products back at much higher prices.

Value-Added

One agricultural-based strategy is to produce crops for high-value local or regional food processing, e.g., potatoes, onions, and tomatoes. One of the problems with this type of production is that it is often on a contractual basis that may limit the flexibility of the producer to make the kinds of decisions necessary for maintaining a sound and sustainable operation.

Value-added enterprises can play an effective role in rural economic development if they are locally owned and operated and on a scale that is appropriate for rural communities.

The manufacture of ethanol and biodegradable plastics from corn are also fairly common proposals. By expanding the market for corn, this strategy is likely to increase the abusive practice of high-input, continuous corn, rather than encouraging diversification and sustainable practices. We need to identify and develop value-added operations for crops that can be grown in rotation with corn, such as alfalfa and other more sustainable crops.

One issue that is rarely addressed by value-added proposals is: Who benefits from the value added by a processing operation? Does it mean higher prices or more stable markets for producers? Does it provide high quality, long-term employment for local people? Do the profits stay in the local area? Does it enhance the local revenue base enough to offset any incentives given to the developers? Does it increase the opportunities for family-scale farming? Are the farming and processing operations environmentally sustainable? Value-added enterprises can play an effective role in rural economic development if they are locally owned and operated and on a scale that is appropriate for rural communities. There are a number of small-scale value-adding enterprises that could be adopted both on and off the farm: grading, milling, wool products, cheese manufacture, etc. Value also can be added by producing a higher quality product for a specialty market, e.g., lean beef, organic grains, super-clean wheat, etc.

Farm Inputs

Farm inputs are another component of the agriculture industry that operate primarily outside the rural community. There is considerable opportunity for small-scale production of machinery parts, fertilizers, etc., that can be marketed in the local region. As with value-added enterprises, it is important that the profits stay within the community and that the scale of operation is appropriate for the rural area.

Local Food System

We can also look to the local food system for economic development opportunities. The agricultural heartland may try to feed the world, but it does not feed itself. More local food processing, as discussed above, should put more local foods on the grocery shelves but local fresh produce also is a rarity. In 1983 an Iowa task force found that 80 percent of the fruits and vegetables consumed in Iowa were imported from other states. In the 1930s, Iowa was the fifth largest producer of fruits and vegetables in the country. Recapturing even a small share of that food market could result in significant agricultural development.

Whatever agriculture-based economic development strategies we pursue, we must always ask how it will impact the structure and operation of local farms and ranches.

There are many other possibilities for agriculture-based enterprises linked to the local food system: dairy and cheese, "free-range" poultry, organic and other specialty grains and meats. Consumers as well as producers could benefit from higher quality and lower prices that local production would make possible.

Value-added processing and consumer-ready food production will mean diversification away from high levels of dependence on cash-grain export crops. However, if farm operations switch from one highly specialized production system to another, little will be gained in terms of reducing vulnerability and implementing more environmentally sound practices.

Whatever agriculture-based economic development strategies we pursue, we must always ask how it will impact the structure and operation of local farms and ranches. Otherwise, we will risk undermining the sustainable family-farm system which is so important to the vitality of rural agricultural communities.

Response to Natural Resource Paper: Southern Region

John L. Needy, Manager
Natural Resource Department
Tennessee Valley Authority

I would like to look at the three policy options outlined in the natural resource paper and give you additional food for thought about those options based on my experience with the Tennessee Valley Authority. The first option to consider is an increased federal investment to help realize natural resources potential. TVA is a product of increased federal investment back in the '40s to do that very thing. We have learned over the years that while we have a role to play in helping people help themselves, that role must be played out in partnership with state and local governments and private organizations in the region that we serve. In the area of education and information, we found that simple, straightforward approaches work best. For example, in educating people about the opportunities inherent in the natural resources in their area, we use such straightforward approaches as involving local citizens in inventory for natural resources, whether it is forest, agricultural or mineral resources. This helps them to see the job creation and investment opportunities inherent in those resources. There needs to be more emphasis placed on finding and telling others about what already is working rather than starting from scratch. This goes back to the theme of a very simple and straightforward approach to working in natural resources in local areas. Resource education is very important and can start at the elementary age. We can teach our children and our young people about the interrelationships between water and the land, for example, so that we develop future leaders who are sensitive to these issues.

> **Resource education is very important and can start at the elementary age. We can teach our children about the interrelationships between water and the land so that we develop future leaders who are sensitive to these issues.**

Providing economic incentives and technical assistance is another role for the federal government that was outlined in the paper. The author correctly points out that some incentives can have undesirable effects, such as reforestation programs that can lead to hardships on agricultural businesses in agriculturally dependent areas. Coordination of these efforts can go a long way toward solving such problems, however. Coordination of technical assistance that is available from many organizations -- in other words, brokering technical assistance -- is very important. There is a great deal of technical assistance available from the federal government and state and local organizations. It almost gets to the point of being confusing for people in rural areas who are unsure of where to turn for assistance. Someone needs to help coordinate and apply technical assistance that will make sense to problems that are unique for a given area.

One example of technical assistance that we are providing has the popular acronym SWAT, Solid Waste Assistance Teams. We found that probably the number one problem for local governments in the Tennessee Valley is solid waste management. Often that solid waste problem leads to a water quality problem, and then there are issues about incineration that lead to additional problems with environmental impact. One way we have found to provide technical assistance effectively is to pool a group of people who have some expertise in solid waste management, collection systems, wastewater technology, incineration, and so on and bring that team into a rural community to help local leaders deal with the options that are available to them.

Another option mentioned in the natural resource paper is increased research. We all know we need more research, but if I had an extra dollar to spend today on a way to help rural governments with some of the natural resource problems that they are facing, it would not be -- from a practitioner's standpoint -- on additional research. I would spend it on applying the knowledge we already have. Well-planned and well-publicized demonstrations are a successful way to do that.

Export promotion was mentioned in the paper, and we found this to be very successful in the area of hardwood lumber exporting. There are risks, as the paper points out, and in export trade the bottom can fall out of the whole market because of the public policy changes. If we work with individual producers of hardwood products and help them become better marketers of their products in the international market, then they are better suited to be successful marketers of products in the domestic market as well.

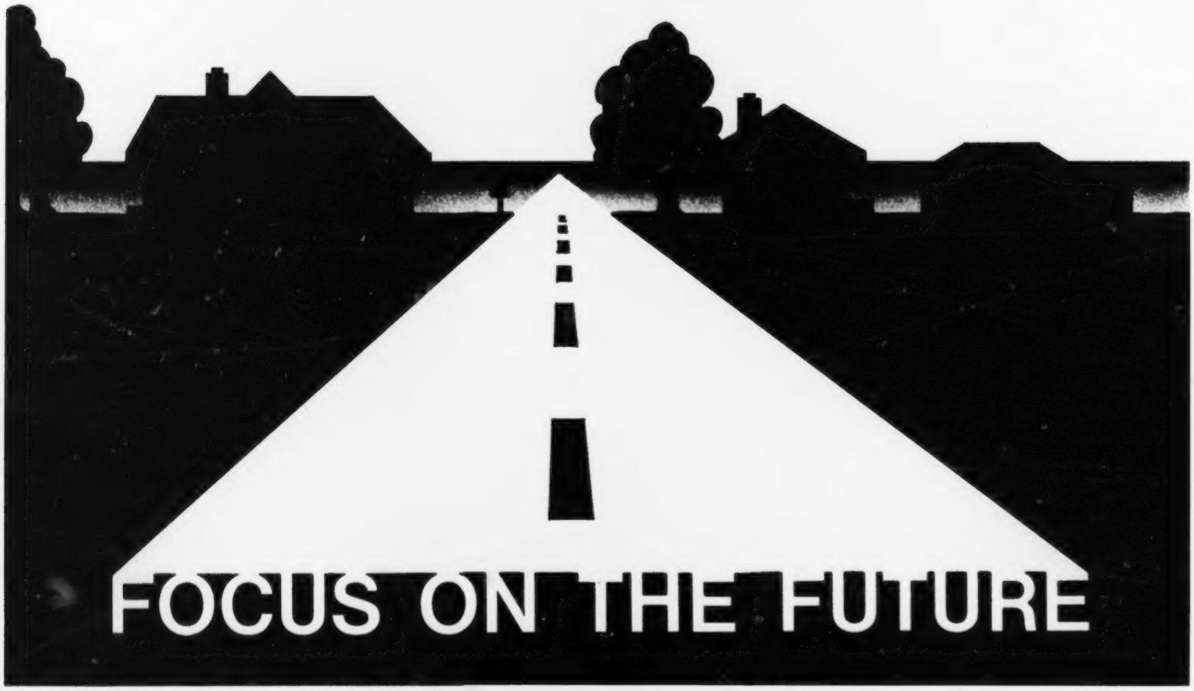
There is no substitute in this day and age for involving local interest in the management of large federal land holdings.

Another major federal policy area that was mentioned concerns regulation and economic incentives to maintain environmental quality. The paper discusses creating exemptions from compliance for disadvantaged communities. This is a mistake. Creating those exemptions is unfair to other communities and perpetuates environmental problems. Intensive technical assistance, block grants and phased implementation of compliances are preferable to exemptions. In cases where a community is faced with having to comply with wastewater standards, salt waste standards and various other types of standards all at once, a phase-in of those compliance requirements may make more sense. One option I would like to lay on the table as food for thought in the area of regulation and economic incentives is regional rather than national standards that take into account different assimilative capacities and different loads placed on the environment in different areas. In other words, I am proposing that we not have a national standard for air quality or water quality or whatever, but instead take into account the inherent assimilative capacity of equal systems in various areas and use that as a guide to setting those standards in relation to the waste load that different parts of the country will be putting on the environment.

Another option is managing federal lands to provide local community stability, and the paper suggests two options for doing that. One is the federal government divesting itself of land holdings -- the so-called privatization option. The second is the federal government retaining landownership but exerting greater sensitivity to local communities in managing that land. To me it is not an either/or situation. There is no substitute in this day and age for involving local interest in the management of large federal land holdings. If local people are not invited to the table in management decisions, they will find a way to involve themselves in those decisions. Witness, for example, the decision on clear-cutting in West Virginia, a decision that has had an impact throughout the country on national forest management. There also needs to be greater private sector involvement in federal land management. In some areas the private sector can be involved more completely than it is now through such solutions as long-term easements, leases or public/private partnerships. There are cases in which complete divesture of public land holdings may be appropriate. For example, after selling some land holdings in a local area, the federal government may hold on to key tracts that could play an important role in the development of that area. This has to be done very carefully, however, because the public interest needs to be protected.

Let me summarize what I have said and offer some additional points to consider in the debate on natural resources policy. First of all, natural resource development cannot be separated from all other issues that we are discussing. It cannot be separated from the poverty issue, education issue, public service issue, and so on. All of these things are interrelated, and we must have an integrated approach to rural development. Secondly, we need to be talking about the substantiality of economic development in an area. Solutions that will last in relation to local situations and cultures are the ones we need to be concentrating on, not just isolated short-term fixes. Thirdly, we cannot ignore the consequences of non-management of resources. We are getting into situations now where resource management in some areas is being ignored. For example, landfills are simply being developed without consideration of their effect on aquifers. Finally, education is essential -- education in the sense of leadership development. Education for leadership development needs to start at the elementary and secondary school levels so that we can educate our future leaders to the positive and negative aspects of natural resource management. It also must include education of adults who are the elected and selected leaders of their communities. What we ought to be striving for is overall quality of life in rural areas, and that should be our focus.

Summary of Participant Feedback: What Are the Preferred Policy Options: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Summary of Participant Feedback: What Are the Preferred Policy Options?

In advance of the workshop, national policy options and consequences papers were prepared in six rural development policy areas:

- Education and retraining
- Income and employment
- Rural health
- Financing rural services
- Rural poverty
- Natural resources

After each of the papers was presented and reacted to by local rural development practitioners, the workshop participants were asked to arrive at a consensus on the preferred options in each policy area. The following is a summary list of policy options organized under each issue. The number in parentheses at the end of each option is the number of times that option was mentioned as being important by the 66 roundtables at the four regional workshops.

Education and Retraining

The rural development strategies of education and retraining were grouped because of the close relationship between basic education, skills development, vocational education, and job training. Unless rural schools offer the same level of education as urban schools, rural youth cannot be expected to have equal opportunity in competing for jobs with urban youth. Without a comparable level of labor force skills, business will not find rural locations as attractive as urban locations.

The workshop participants recognized the reality that building rural business on a low-cost, low-skill labor force is not a viable option for the 1990s and the 21st century. They also recognized that the key to reducing the need for job training is the improvement of basic skills and the elimination of illiteracy. That is, without the elimination of illiteracy, job training can be expected to take an ever increasing share of development funding.

The most frequently identified federal policy options for improving the quality of rural education and retraining include:

- **Target rural schools for innovative programs and technological competitiveness (25).** Distance and relatively low enrollment presents major problems for rural schools developing enrichment programs that allow their students to be competitive upon graduation. While federal programs already exist to support innovative educational programs, rural schools are not receiving a sufficiently large share of federal grants to solve their problems. To develop such innovative programs, increased research is needed to provide improved understanding of rural school problems and to assist in developing new educational models for increasing achievement. One innovation for which there is a consensus involves the need to establish distance learning systems that reach all rural schools.

- **Target rural schools to create funding equity (18).** Workshop participants felt that rural school problems are inherently associated with higher per capita operating costs for quality education. They deemed federal support essential for offsetting this higher cost, particularly in persistent economically depressed areas such as the rural South. The problem has been aggravated in many rural areas by an eroding tax base.

- **Increase rural school involvement in job training and the elimination of illiteracy (12).** The workshops expressed support for providing federal incentives to utilize schools as an educational center of activity for rural communities. Support was expressed for increased rural school involvement in continuing education for adults and in the elimination of adult illiteracy -- perhaps in a family context. Such programs might involve public-private partnerships in structuring vocational educational programs to eliminate illiteracy as well as to develop job skills.

- **Increase flexibility of programs and their implementation (4).**

- **Match vocational training with local job opportunities (4).**

- **Implement incentive programs to attract and retain educational professionals in rural areas (4).**

- **Provide federal leadership and support to develop a systematic plan to deal with the broad range of education problems in rural areas (3).**

- **Improve motivational methods to reduce school dropout (2).**

- **Provide federal support to identify and integrate needed organizational changes, including alternative delivery systems, consolidations, etc. (2).**

- **Target programs and assistance to high-risk youth (2).**

- **Allow retraining while businesses are still operational; alter guidelines so families are not required to be "failures" before entering training programs (1).**

- **Provide assistance in making curriculum changes (1).**

Income and Employment

Attracting jobs to rural America involves a combination of improving rural leadership skills, infrastructure, and the adaptation of existing programs to rural areas. The need, therefore, from the perspective of the workshop was for a combination of building human and physical infrastructure in rural America. The result would be greater skill in expanding existing business, the development of ideas for new local business opportunities, and the attraction of new businesses. The priority initiatives include:

- **Provide federal financial support for educational and technical assistance designed to enhance production and entrepreneurial skills, management capacity, and leadership ability for rural residents (26).** Improving human resource management skills and capacity was seen as a major rural program need by workshop participants. In other words, existing programs are not filling the need for business capacity building. More stress should be placed on human resource development programs such as managerial skills, job training and basic education.

- **Provide flexibility in current programs to support a broader range of business development opportunities in meeting local conditions (10).** Many of the current job training, lending, and related business development programs were developed primarily to serve urban areas. Some programs can be used for manufacturing businesses but not for retail and service firms. The need is for flexibility in program rules, regulations, and services to serve rural business development. The government should expand eligibility requirements and refocus rural economic development programs to support a broader range of business and industrial development opportunities.

- **Provide financial support to aid rural communities in modernizing and developing the appropriate mix of business support infrastructure (8).** The problems faced by rural communities relate largely to obsolete infrastructure. For example, many rural communities do not have access to modern telecommunications systems that facilitate communication by computers and facsimile machines.

- **Utilize federal regulatory powers and direct financial assistance to ensure entrepreneurs access to adequate capital and expansions of rural enterprises (4).**

- **Provide regional, multi-town, township and county planning and development assistance (3).**

- **Target and coordinate federal, state and local rural income and employment policy (3).**

- **Create a Department of Infrastructure and Rural Development to separate agriculture and non-agriculture (3).**

- **Fund the development of local leadership and strategic planning (3).**

- **Encourage capital retention and flow into rural areas (3).**

- **Provide incentives for innovative rural programs (2).**

Financing Rural Public Services

Many rural governmental systems are in danger of being financially insolvent. Increased federal and state requirements for services, such as maintaining water quality and meeting discharge or solid waste disposal standards, have burdened rural communities with greatly increased costs at a time when federal revenue sharing is no longer available. The following recommendations were made by the roundtables:

- **Establish state-federal incentives for local governments to re-evaluate their structure, revenue authority, and fiscal capacity (15).** It was concluded that too many inefficiently organized rural government units exist. State-federal incentives are required to encourage restructuring.

- **Provide federal compensating aid to disadvantaged rural areas unable to maintain a minimal adequate level of services (14).** As an alternative to the insolvency of local governmental units, federal aid is viewed as a preferable alternative to substandard service.

- **Integrate services on a regional basis by different levels of government and across governmental units (8).** Several roundtables concluded that the state and federal governments should take the leadership in integrating certain critical services on a regional basis (i.e., fire protection, police protection, rural health services, water systems).

- **Provide technical assistance to obtain objective analyses and build local planning capacity (5).**

- **Increase privatization of community services (4).**

- **Bear the cost of federally imposed environmental services that benefit the general public (3).**

- **Foster increased use of user fees for revenue sources (2).**

- **Remove barriers to participation of small communities in federal programs (1).**

Natural Resource Policy

Policy regarding natural resources was a major regional concern in the West and Northeast. The workshop established the following policy priorities:

- **Regulate or create incentives to maintain resource quality and create a balance between preservation and resource development (12).** A majority of the roundtables expressed concern that development was taking place at the expense of resource quality and felt that the federal government should intervene.

- **Increase federal investments in resource development programs (8).** In areas where public lands predominate, participants concluded that increased federal investment was required to spur the rural economy.

- **Expand broad-based educational programs regarding natural resources and conservation (6).** These roundtables stressed the need for general understanding of the factual tradeoffs between natural resource development and conservation of the resource base.

- **Manage federal lands to provide more local input into policy development and management practices (3).**

- **Revise in-lieu-of payments formula to provide the same level of support as other landowners (3).**

- **Fund federally mandated programs (2).**

Rural Health Policy

Rural health care is frequently not classified as a rural development policy issue. Yet health care is one of the major employment enterprises for most rural communities. In addition, the adequacy of health care systems is a primary consideration in the location of business and the suitability of rural areas as a place to live and retire. The workshops recognized this by identifying rural health care as one of the top five priorities for increased funding. The following federal priorities relating to health were identified:

- **Eliminate the rural-urban inequities in Medicare and Medicaid and target rural areas for a larger share of federal health dollars (16).** This roundtable recommendation recognized that the cost of rural health care for the same quality of services is at least as high as in urban areas and may be higher.

- **Provide federal aid in restructuring rural health care systems and supporting alternative means of health care (13).** The infrastructure of the health care system is antiquated in many rural areas. A restructuring is required to overcome the disadvantages of distance and lack of access to specialist services. Where a full set of local medical services cannot be provided, mini-clinics and physician assistant services need to be fostered.

- **Establish access of the rural population to a minimum level of basic health care (10).** Rural residents should be assured the same level of minimum health care services as urban residents. Specification of and provision for those minimum services should be a matter of national policy.

- **Increase the federal share of health care (3).**

- **Provide incentives for physicians and other staff to practice in rural areas (3).**

- **Stress preventative care (3).**

- **Increase flexibility in program design and implementation (1).**

- **Provide experience in rural areas as a part of training programs of health care professionals (1).**

- **Emphasize cost containment (limit medical malpractice awards) (1).**

- **Emphasize health insurance for rural residents (1).**

Rural Poverty Policy

The reality that in the 1980s rural poverty rates rose above urban poverty places a special burden of public responsibility to deal with severely depressed rural economic conditions. The workshops had the following recommendations for dealing with rural poverty problems:

- **Attack rural poverty as part of a comprehensive program of education, job training, infrastructure, business development, and social services (23).** Poverty problems cannot be solved by individual uncoordinated programs. The basic need is for federal and state leadership in coordinating programs and program delivery, including many of the specific policy area workshop recommendations.

- **Target rural poverty for the unique characteristics of the rural poor (8).** Delivery of poverty programs to the rural poor requires a recognition of unique rural conditions such as the effect of distance on program delivery and the potentially different attitude of rural residents toward participation in poverty programs.

- **Refine and fine tune current poverty programs (7).** Some roundtables felt that existing programs could deal with problems of rural poverty if they were refined and fine-tuned to fulfill their intended objectives. Much of this fine tuning involves simply eliminating the red tape involved in accessing existing programs.

- **Emphasize education as a core component of poverty programs (3).**

- **Target persistent poverty areas (Appalachian-type model) (2).**

- **Increase the emphasis on making subsidized housing available to the poor (2).**

- **Pass wage legislation (increase minimum wage) (1).**

- **Create jobs for marginal worker (1).**

- **Differentiate between temporary poor and chronically poor (1).**

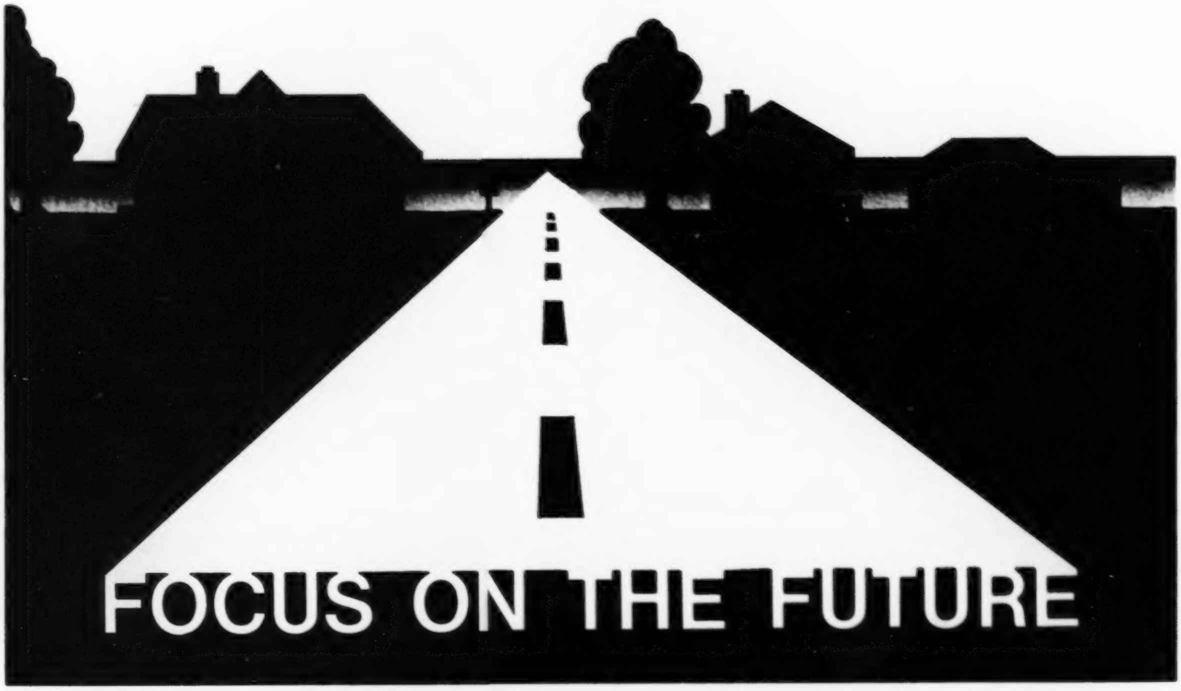
- **Establish a public-private partnership (1).**

- **Overhaul the current welfare system (1).**

- **Increase flexibility in program design and implementation (1).**

- **Devise programs that are transitional and move people toward independence (1).**
- **Establish a rural poverty policy (1).**
- **Increase income poverty guidelines (1).**

Local, State and Federal Roles in Rural Development Policy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Federal Role in Rural Development Policy: North Central Region

Donald R. Norton, Sr.
Executive Director
Illinois Governor's Rural Affairs Council

In establishing the Rural Affairs Council in Illinois, our governor sought to do some of the exact things that have been outlined here in terms of goals for a comprehensive policy to pull together resources. Resources are scarce, and I think we need to keep hearing that message again and again. They are scarce and they are going to continue to be scarce, so we need to pull together the resources that are available.

We recently published a Rural Resources Development Guide to ensure a more comprehensive look at all the problems in rural areas and to pull together the available resources to address those problems. There was no new money for this guide; we paid for it out of existing resources. We were not content to look only at things within state government. Working with our regional planning groups, colleges and universities, and federal agencies, we were able to mention all of the available regional resources. There are a lot of materials floating around that are starting to descend on local officials and local leaders. This challenges the implications that we have heard here that nothing exists or that there are huge gaps out there. An awful lot does exist, and I think one of our faults is that we do not stop to take inventory of what we have.

> **What we need is a good mechanic with the determination and will -- maybe the political will - - to make what we already have work better and to provide a comprehensive approach.**

We feel that the Illinois rural agenda is just beginning. A new Center for Rural Health and Social Service Policy was approved recently at Southern Illinois University. It will address some of the enduring questions that we have been discussing here. We put together a short-term rural health task force that is addressing six of the key issues that we have heard about here in rural health and will be presenting an action plan to our governor and the general assembly this fall. On the infrastructure issue, we acted to take our 226 endangered communities off the clean water hit list through a restructuring of the state sales tax. Those 226 communities will get the dollar assistance to rehabilitate and rebuild their water treatment systems. And last but not least, we have launched an effort to try to bring into our state the self-help movement in order not to fall into the trap that government can do everything. We are picking a target community to demonstrate that the self-help approach to problem solving does work in rural communities with scarce resources. The purpose of this litany of what we have done in Illinois is to try to point out the fact that state governments are on the move. At a time when resources at the federal level have been shrinking and are in some question, states are acting.

The National Governors' Association has just published *New Alliances for Rural America*. This is going to be an extremely influential document. The report outlines a bottom-up approach, a grassroots approach. Trying to solve local problems from our nation's capitol or from our state capitols just does not work. We have been addressing rural problems since the Country Life Commission in 1909, and after more than 30 programs have been created through 20 or more different agencies, we are still here today talking about rural problems. The report rejects the idea that planners and bureaucrats can and should determine which communities will survive and in what fashion. I think the concept of triage whether determined in Washington or Madison or Springfield is to be rejected.

I am not here saying that those dollars we have spent all these years -- those billions of dollars -- have been wasted, because I can point to many examples that I have worked with that have been very successful in helping position rural communities to survive in the future. I am thinking of activities like rural water systems that link up multi-counties. In fairness, however, we also have -- and perhaps it is part of the human condition -- programs that seem to linger on long after their useful life should have been terminated. They do not hit the target and do not benefit the people in rural America.

We need to change the mix of federal spending. It is shameful when 70 percent of the federal spending coming into rural areas is in the form of farm programs, welfare and social security payments, and other income transfer payments.

Another frustration I deal with and want to share is the continuing tendency at meetings like this to avoid the painful task of fixing the systems that do not work or that need retailoring. It seems easy to go out and create something new while avoiding the problem of the old. That tendency has been mirrored in some of the recent attempts at the federal level to address rural problems. These attempts have resulted in some very convoluted, confused and ineffective attempts to benefit rural areas. During the last few years, many of the speakers I have heard at meetings on rural problems have agreed that we do not need any new light bulbs. What we need to do is make the ones that we have work better. I subscribe to that because as we have gone through some of the things here that others have brought us, it has not been hard to say that on this point or that point, this goal or that goal, we have been doing this or that in some fashion or the other, perhaps imperfectly. But, in one way or the other, these concerns have been and are being addressed. What we need is a good mechanic with the determination and will -- maybe the political will - - to make what we already have work better and to provide a comprehensive approach.

Yesterday's *Wall Street Journal* compared the approaches of Dukakis and Bush on social problems and how they would address issues such as health care. Both approaches are conservative and recognize the huge federal deficit. Neither will propose something outlandish that will break the federal budget. Who would pay the bill? If we cannot be in a position of suggesting programs that stand a chance, then we may need to rethink what we are advocating.

What should be the federal role for rural development in 1989 and beyond? Let me suggest eight points:

- It is very important to maintain a responsible fiscal, monetary and trade policy because we have seen so many of our rural areas get hurt in one fashion or the other by policies that have worked against us. Progress will occur in rural areas not through taxing and spending but through a healthy economy.

- Welfare overhaul is a prime target next year at the federal level, and it must be. Much of the rural problem we have talked about here is a poverty problem.

- We need to continue educational reform. The thick part of the diving board into well-being is our educational systems, all of them.

- We need to change the mix of federal spending. This is a strong theme of the National Governors' Association report. It is shameful when 70 percent of the federal spending coming into rural areas is in the form of farm programs, welfare and social security payments, and other income transfer payments. The litmus test of federal legislation should be: Does this policy or program simply redistribute income and perpetuate the existing problem or does it make a real difference in accomplishing progress toward the development of jobs for our citizens and a better life as a result?

- Federal policy must continue to ease the transition of people. We have been talking about transition and programs that lead to easing that transition through job retraining and better vocational educational systems to prepare people for a new way of life. All of this is part of the mix that the federal government needs to address and help with on a continuing basis.

- I would suggest that federal policy should quit bypassing state governments. Through the Illinois example and others that you will hear about, there is recognition that the states know what their differences are. They are the ones that have to handle the need for flexibility, and the state governments should not be bypassed in new federal programs, if there are any.

- I would urge the establishment of a cabinet-level person -- a czar, if you will, for rural development. All of you know or remember Jack Block, our Director of Agriculture in Illinois. He went to Washington with real determination to make a difference. You may recall reading the news accounts of how he was battered continually by people from other cabinet offices that had more important concerns. I can remember Jack coming home and sharing the frustration of his time in Washington. There is a need for establishing a White House person that has a strong commitment from the President -- it cannot happen any other way -- to pull together programs, try to erase turf barriers, and work to get programs to recognize each other. I could tell you a story of how long it took two federal agencies in Illinois to start talking to each other. That kind of coordination really is heavy political coordination and will occur only with a strong Presidential commitment. This federal-level White House czar -- or whatever we want to call this person -- should be empowered to gain action on the perpetual insensitivities that we have been discussing, insensitivities such as the rural shortfall in reimbursements, highway standards that continue to frustrate effective expenditure of dollars and development projects in rural areas, and EPA standards that are too costly and require far too much from local communities. I suggest that there be a person designated in each state by the governor of each state to serve as a counterpart to this federal person in order to have quick communication without going through all the labyrinths we now have.

There is a need for establishing a White House person that has a strong commitment from the President -- it cannot happen any other way -- to pull together programs, try to erase turf barriers, and work to get programs to recognize each other.

- We need to continue the role of the Department of Agriculture as the lead agency for rural development. I do not have any better answer. Politically it probably is not feasible to establish a federal Department of Rural Affairs unless there is a deeper well in the Congress that I simply do not perceive. I think the federal government must continue to provide the expertise, information, and technical assistance communities need for rural development. We have heard a little bit here about the Federal Information Service. I for one am still amazed at how much information is available if we simply knew how to access it. I would urge that once and for all we go about the task of providing an information clearinghouse at the federal level with counterparts in each of the states. National governors have urged the establishment of a rural development intergovernmental policy advisory panel. It is a great big long name, but basically it would be comprised of the heads of the federal agencies that are most involved in rural development. The representatives of those agencies would come together with five to eight governors that have been designated by the national governors and work continually on rural problems.

We all recognize that the federal government is important. Although we tend to think of the feds primarily in finance terms, we all know that there is much much more out there than just federal technical assistance that impacts rural America and comes from the federal level. Again, as rural practitioners and academicians concerned with rural areas, it is important for us to keep in mind the question of who is going to pay, and then we must make the determination to recommend those things that have a reasonable chance of success. Otherwise, I fear the danger that reports will get put on shelves and gather dust. If we succeed in these recommendations, then hopefully we will all be too busy coping with rural development in our states to come again to a conference like this to discuss what we ought to be doing.

Federal Role in Rural Development Policy: Northeastern Region

Bill Bivens, Projects Director
National Association of Development Organizations

The federal role in rural development is particularly timely in a presidential election year. All eyes of politically aware people are focused on the federal level this year, and there is a fair amount of trepidation about what is going to occur in a post-election season in not only rural development policy but otherwise. I would encourage you to take the results of this conference back with you to address political candidates at federal, state, and local levels. This is particularly important because rural voters are among the most important swing voter groups identified by all the pollsters, political pundits, etc. They are the people who are among those who have shared the least in the economic recovery of the last six years and are the least likely to share in any additional economic growth in the near future. At least on the economic side there are some very severe issues to be addressed in terms of the welfare of rural voters.

Many of us who deal with federal officials have been engaged in a series of strategic planning sessions to try to determine what the process is likely to be in the next few months and what kinds of factors are going to condition federal policy regardless of which candidate may win the Presidency. It is not only the candidate's previous record or current positions on issues that are important to consider but also other kinds of influences that might constrain their actions. I'm going to lay out a few of those for your consideration. Perhaps they will be somewhat helpful to you as we deal with the federal role in rural development. Along with my bias of looking primarily at socio-economic factors, I'll admit on the front end that I think the federal government can and should play a significant role in rural development. The extent of that role is going to be conditioned by such things as the global integration of world capital markets. We no longer control our interest rates in this country. The Japanese and other foreign investors control our interest rates, and the cost of the federal deficit is the result. We're spending about 20 percent of our federal budget on items associated with the deficit and about 14 percent on the deficit itself. That is expected to grow substantially in the next few years as the deficit mounts. At some point in the not too distant future, perhaps a quarter of the federal budget can go to pay off debt incurred in primarily the Reagan years. That will severely constrain the availability of funds to pay for new initiatives or even continue existing initiatives.

As a budget-strapped federal government seeks ways to achieve certain national objectives, it is likely to pass the responsibility for meeting those objectives to the state and local levels without accompanying funding to meet the cost of those objectives.

Another factor that is going to be a countervailing point to doing anything on the rural side is metropolitan problems: traffic congestion, inadequate central city school systems and the like. They are now driving and will continue to drive economic activities of central cities and inner-ring suburbs and extend into outlying suburbs and predominately rural areas that will undergo tremendous urbanization pressures. The Tenth Amendment is dead and will continue to be dead. Local and state governments no longer have any constitutional guarantees against unfunded mandates by the federal government. As a budget-strapped federal government seeks ways to achieve certain national objectives, it is likely to pass the responsibility for meeting those objectives to the state and local levels without accompanying funding to meet the cost of those objectives.

Trickle down from macroeconomic policy is not sufficient to support rural development. Existing institutional structures built up over the last 200 years bias the flow of benefits away from relatively poor communities in rural America. They would not be poor if that were not the case. A taxpayer bail-out of the thrift industry (savings and loans and perhaps even commercial banks) is likely to cost anywhere from $50 to $100 billion in the next couple of years. This will obviously constrain the availability of funds for initiatives such as rural development. State, local, and private sources cannot raise money on a large enough scale to overcome poverty. State and local governments cannot implement fiscal policies that redistribute incomes from the non-poor to the poor without driving out the non-poor.

At the same time, the National League of Cities has calculated that states have provided only about $7 billion to compensate for a $30 billion reduction in federal spending for domestic programs important to urban development. Clearly, some more-affluent states have provided more than the poorer states, and some of the poorer states have provided virtually nothing. Yet federal policy continues to ignore relative fiscal capacity. Money does not get distributed among the states and localities in accordance with their ability to raise local or state source revenues. This is all the more important when you consider that about a third of local revenues are from federal and state grants.

Spending of large amounts of money can help to solve social and economic problems. Poverty among the elderly has been drastically reduced by massive federal spending on both cash and non-cash benefits -- social security, medicare, food stamps, SSI, and programs under the Older Americans Act. In fact, about 56 percent of our federal entitlement spending goes to the elderly, a group that comprises only 12 percent of the population. By contrast, young children get very little federal spending. As a result, the poverty rate among children is much higher than that among the elderly. The myth that you can't make a difference by throwing money at things is a myth. It's incorrect. Political leaders at the federal level are unwilling to raise personal income taxes to pay for current spending, most of which is for entitlement payments benefiting individuals (primarily the elderly), for defense, and for interest on the federal debt. At the same time, the spending programs usually targeted for elimination would hardly make a dent in the deficit. For example, it's been calculated that about three-fourths of federal spending for rural development in 1979 has been eliminated. That leaves very little left to be eliminated. Even if the 11 percent of the federal budget that is not for entitlements, defense, and payments on the deficit were severely cut (many of the programs in that category deal with the war on drugs, education, etc., and are not programs likely to be reduced significantly), we still could not eliminate the federal budget deficit.

It's been calculated that about three-fourths of federal spending for rural development in 1979 has been eliminated. That leaves very little left to be eliminated.

With restricted budgets, state and local governments can do only so much, and the absence of national leadership leaves a vacuum that cannot be filled by a governor or a mayor. We've heard a lot about laboratories of democracy and about state governments being our great hope for the future. Well, not all states are created equal. Mississippi is not blessed with the same endowment of resources as New York or California. We have poor states and we have relatively affluent states. As federal aid is reduced, the poor can do less. The private sector in those states cannot fill the vacuum. Absence of a relatively wealthy private sector is one of the reasons those states are poor.

Of the primary factors of production that support economic wealth and fiscal capability (generally land, labor, capital, and technology), only land is immobile. Admittedly, there are some constraints on the flow of technology as it relates to defense. There are constraints on the flow of labor in immigration laws. And there are some Third World countries that try to prevent the flow of capital, largely unsuccessfully. So the factors are moving around in accordance with risks and rewards. I would like to point out that we face a very serious problem in the future of this country. The only reason money is flowing into major private-sector projects now is that our assets are relatively low-priced on a world scale -- in large part because of the value of the dollar -- and the yields from investments in this country are relatively high. In some measure, this is due to the fact that our allies and friends in other countries, through their central banks, keep their interest rates low relative to ours. If that changes -- if the Japanese, who are the major source of investment funds in this country, put the squeeze on us (as they are beginning to do) -- we could be in real trouble.

We are coming out of an era that the former executive director of the Advisory Commission on Intergovernmental Relations has termed "fend-for-yourself federalism." John Shannon was referring to what in a sense is an overtone of social Darwinism and the federalism policies that have occurred in the Reagan Administration. That terminology refers to a perspective of survival of the fittest. In many ways the policies of the Administration have reflected that perspective, at least in the ways they have dealt with rural development and in a broader sense the fiscal relationships between the federal government and state and local government. Unfortunately, the calls for decentralization in the last few years -- decentralization of responsibilities for many public-sector activities -- have been a cover for an effort to reduce all government intervention in the society and in the economy. It has not been a commitment to devolution within a federal structure. We saw that in the Administration's support of eliminating General Revenue Sharing and in the application of numerous unfunded mandates. The federal government under this Administration has committed to applying federal policy on the expenditure of state and local funds (i.e., support for restrictions on the ability of state and local governments to spend funds to pay for abortions by victims of rape and incest). It's not only the Administration. Members of Congress are similarly committed, not only in the social policy area I just mentioned but also in the area of public finance. Congress in essence has acted to remove the protection we thought we enjoyed under the Tenth Amendment in regard to tax exemption of state and local bonds. Unfortunately, the federal courts have upheld the application of federal income tax to state and local bonds, so we are in a situation in which selective policy in the sense of ideological objectives has been applied under the cover of federalism.

If we are going to get any beneficial rural development policy for the future, we are going to have to strike now while things are probably the best they will ever be for the future.

Similar calls for intergovernmental sorting out of federal, state, and local responsibilities really tend to be a quest for political power mixed with some ideological objectives. However, the criteria proposed for sorting out are valuable. Equity, efficiency, and political accountability are all standards that should be applied. I think you should take them into consideration as you think about policy and funding and implementation mechanisms for rural development. We are likely to disagree about how important various of these criteria might be, but unfortunately, the federal policy process isn't neat and clean in sorting that out.

Arguing about the definition of rural or the definition of policy or the exact nature of rural problems doesn't really get us anywhere at the national level. You need to remember that all rural development is local. Arguing about these things at the federal level is not really very productive. The best course is to let state and local officials work out what makes sense in substate situations. Decentralization of rural development decisionmaking is the route to go, but you have to understand that there are constraints that are needed. For example, international trade is a national issue. To have 50 governors running around going to Tokyo and Brussels as they now do engaging in international trade hardly makes sense given our trade deficit and need for some kind of cohesive national policy in trade. On the other hand, another traditional problem still has not been solved: the application of "beggar thy neighbor" or pirating-type policies at the state and local level raiding each other's jurisdictions for plants. There needs to be federal constraints on things like that.

Federal policy, unfortunately, is not likely in the future to yield any better results on rural development than it has so far. I recently reviewed the formulation of the Rural Development Policy Act of 1980. That piece of legislation probably has been one of our most frustrating pieces of federal law, not only in relation to the process of getting it enacted but also in regard to its lack of implementation in the last eight years. I suspect that it is probably a very good example of the limitation of federal policy. A law may exist on the books, but whether the Executive Branch chooses to observe the law is debatable, questionable, problematical. It is not likely to get any better. A new study by the minority staff of the Joint Economic Committee points out that political economy of rural development policy for the future will be even worse as the number of members of the House of Representatives representing rural areas diminishes and rural policy gets even less attention. So my last bottom-line word is: If we are going to get any beneficial rural development policy for the future, we are going to have to strike now while things are probably the best they will ever be for the future.

Federal Role in Rural Development Policy

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Rural policy issues rise to national attention on an infrequent basis, generally when economic conditions in rural America become greatly divergent from national trends. The failure of rural America to recover from the 1981-1982 recession has brought another period of Congressional attention. Both the House of Representatives and the Senate considered rural development bills in 1988, and while the pressures of the drought and the lack of a consensus on what should be done prevented passage of legislation, there are good prospects for another attempt in 1989.

My main point in this paper is that for the 1989 effort to be successful, there will have to be a solid consensus of support among rural interests. The failure of the diverse interests of rural America to form a coalition will increase the reluctance of Congress to become involved with a very complex issue. At various points in the paper, I will make assertions about conditions or changes that I think will direct rural economic development in the future. These assertions are the context from which the paper develops. I call them assertions since they reflect my beliefs rather than following directly as conclusions.

The federal government has historically been the primary institution in facilitating economic development in rural America. As pointed out by Wayne Rasmussen in his survey of rural development policies, the federal government's lead agency for rural economic development has been the United States Department of Agriculture. Not surprisingly, the initial response to current questions of rural development continues to focus on USDA as the primary agency to improve rural conditions (USDA). In a strict sense, there is no other choice since the Rural Development Act of 1972 assigns this role to USDA.

While this structure may not be inappropriate, it seems to me that there have been sufficient changes over time, particularly in the last decade, to raise questions about both the nature of the role of the federal government in facilitating rural development and what policies, if any, it should implement to meet that role. I think that these two issues are in a sense separable since the programs the federal government chooses to employ will depend upon the role that it assumes. So let me first talk about the changing role of the federal government before briefly discussing possible policies and programs.

A useful rural development program must encompass more than farm-related programs. Recent experience shows that high levels of farm income are inadequate to ensure a healthy rural economy.

It is clear that rural development policy and farm policy were seen as being synonymous in the past. When a large proportion of Americans were directly dependent upon farming and most rural residents were farmers, this was an appropriate policy structure. However, times have changed. At present, farmers are somewhat less than 2 percent of the population; and commercial farmers, the principal beneficiaries of farm programs, are less than 1 percent of all Americans. While farm numbers have declined precipitously since World War II, the percent of Americans living in nonmetropolitan areas has not declined to the same extent. Roughly one-quarter of the nation's population remains outside the major urban centers of this country.

The inevitable conclusion of these changes is that a useful rural development program must encompass more than farm-related programs. This does not deny a role for agriculture in rural development, particularly in farm-dependent areas, but recent experience shows that high levels of farm income are inadequate to ensure a healthy rural economy. In this decade, farm income has either set record or near-record levels in most years, while at the same time the gap between rural and urban income and employment levels has worsened.

This suggests that an effective federal role in the future will require taking into consideration a far richer definition of rural activities than was employed in the past. The federal role will have to recognize the diversity of economic structure and the diversity of needs of rural areas in terms of assistance required. Whether a national government can structure programs with the flexibility to deal with the spectrum of rural demand facing it remains an unresolved question.

At present the two major federal pieces of legislation dealing with rural policy are the Rural Development Act of 1972 and the Rural Policy Act of 1980. The history of these two pieces of legislation is useful in understanding the current rural policy situation.

By the early 1970s the policies of the Great Society had been in place for a number of years. One of the major objectives of these programs in rural areas was to stem out-migration of the rural poor. The 1972 Act provided a means to consolidate rural policies in a single statute and provide a coherent structure. Throughout the 1970s the "rural renaissance" seemed to provide evidence that the federal policies were working. In particular, the decade was seen as a time of great prosperity for agriculture, which was perceived as the leading indicator of rural well-being. While pockets of poverty continued to exist, the general impression was one of economic stability and growth.

The 1980 Act can be seen in this context as an attempt to fine-tune existing policies to bring about the full development of rural America. Rather than changing legislation, the intent was to develop more flexibility in the application of policies to reflect the growing recognition of the diversity of rural America. Improving coordination and requiring the Secretary of Agriculture to establish objectives was seen as a way to improve the implementation of federal policy. What was not foreseen was the collapse of the rural economy and the election of an Administration opposed to government intervention.

During the 1980s the financial plight of agriculture received national attention. The Congress acted to provide relief to farmers through the Food Security Act of 1985 and various other bills. Having provided assistance to farmers, most urban residents, including those in Washington, assumed that they had resolved the economic problems of rural America. The long-standing belief in the link between farm policy and rural policy continued to be made. Certainly the farm interest groups did nothing to dispel the belief since it added to their ability to receive federal assistance. The most recent USDA rural development policy statement *On The Move* continues this linkage of farm and rural policy despite overwhelming evidence of the growing dichotomy. This leads to my first assertion: federal rural policy will be ineffective until it reflects the difference between farm policy and rural policy.

Complicating the redefinition of the federal role are two important elements that I think we have yet to fully appreciate. The first is the growing budgetary pressure to control federal outlays in order to bring down the deficit. As long as controlling outlays remain the principal means for balancing the budget, proposals for new programs and additional funding for existing programs face difficult times. A shrinking government pie will result in intense lobbying by current program beneficiaries to retain their "fair share," which means blocking requests for funding by newcomers.

Federal rural policy will be ineffective until it reflects the difference between farm policy and rural policy.

In addition, the growth in metro populations, when combined with a loss of population from rural areas, leads to Congressional redistricting. The proportion of Congressmen representing rural areas has fallen in the past and is about to decline again. Small numbers of rural members can be offset to some extent by the advantages of seniority. However, rural members now occupy a smaller proportion of key positions on committees than they once did. Thus, tight budgets in conjunction with a smaller and less influential voting block than rural areas once had, suggest that it will take a very persuasive case to provide a large inflow of federal funds to rural areas.

These points result in my second assertion. In the future the federal government will not be spending more money in rural areas than it is at present. Implementing new rural programs will require diversion of funds from existing rural programs. Certainly this will make consensus building among rural interests a trickier proposition, since players who appear to be losing federal support have to be convinced that it is in their interest not to block the change.

Individual organizations continue to have enough power to block change; but to date, no group of organizations has appeared to make a strong and articulate case for either a new policy or restoration of existing unfunded programs. For example, opposition of the National Governors' Association to the bill worked on by the Senate Agriculture Committee in 1988 contributed to the failure of the bill to be reported out of Committee.

One of the dilemmas of rural policy at the federal level has been the absence of an effective rural coalition. Bill Nagle, former head of USDA's Rural Development Service, recently presented a paper during a symposium held by the Congressional Research Service at the request of the Joint Economic Committee. In it he noted that:

> Rural development policy does in fact lack a broad constituency. The proof is in that thundering silence that greeted the 1985 abolishment of USDA's Office of Rural Development Policy and more importantly the curtailment or abolishment of federal rural development programs. Contrast that silence with the loud outcry that would have been heard if the environmental programs launched in the 1970s had been similarly curtailed. The difference is that environment has a large, vocal constituency. Rural development does not.

With no significant pressure from an organized coalition outside the government and a declining number of Congressional members with direct constituency interests, where will the pressure for changes in rural policy come from? It is highly unlikely to come from the farm groups who have little interest in seeing farm program expenditures diverted to rural programs. Farm groups recognize that their declining numbers make the link between rural and farm vital if they are to retain their political power. Nor can we assume that it will be a high-priority item in the White House where increasingly complex domestic and international problems dominate the agenda.

If a new federal rural policy is to develop, it will require that the states act as strong advocates to bring it about.

And now my third assertion. It seems to me that if a new federal rural policy is to develop, it will require that the states act as strong advocates to bring it about. It will take a group with a national presence and a strong interest in the issue to be the nucleus of a rural coalition, and there are no obvious alternatives to the state governments. It appears that the states have moved recently to accept this responsibility. As a result of the declining role of the federal government, in conjunction with decline and stagnation in much of rural America, states have been forced to take on a more proactive role in rural development. State governments now seem to enjoy these new-found authorities, although a desire for federal participation in rural development clearly remains. In the recent series of National Governors' Association publications on rural development, some common themes have emerged:

- The increasing diversity of conditions in rural America makes general purpose rural development programs ineffective.
- There is a perceived failure of top-down development strategies which impose rigid programs.

- There is a need to diversify the economic base of rural communities, if not by attracting new activities then by broadening the forward and backward linkages of existing activities.

- There is a need for improved physical infrastructure and for an improved human resource base.

The solution the NGA proposes is a new alliance between the federal government and the states. In this alliance the states would take over more of the delivery and local coordination of programs. Programs would be tailored to each state's need and capacity. Many of the federal delivery mechanisms, particularly the Extension Service, are considered vital in this alliance, as is federal funding to provide stabilization when regional economies experience a downturn. The federal government also is seen as the key player in research and the development of projects or programs that have a national scale.

> **Rather than speaking of a federal rural development strategy in isolation, we should be discussing a national economic development strategy that has a rural component.**

The NGA proposal is one way of resolving the question of whether the federal government can design programs with sufficient flexibility to meet the wide array of demands that exist in rural areas. By working with the states, an intermediate organization can deal with localized issues while the federal role is more one of coordination and facilitating development.

Adopting the NGA proposal requires a major restructuring of the philosophical basis of federal programs. It replaces a philosophy of entitlement and working directly with individuals; a philosophy that advocates a county agent in every county in the country. It replaces this philosophy with a policy of support based on need, or targeted assistance, and dealing with people through intermediaries. From a political perspective this is a fairly radical change since it results in some parts of the country effectively contributing to economic growth in other areas without reaping any direct benefits.

While it may be argued that these programs are in the public good since they increase aggregate economic growth and reduce the drag of under-utilized labor, it is not a concept that most members of the legislative branch will embrace without some local support. This makes the endorsement of the state governments vital. Few Congressmen will see much advantage in sacrificing local district interests, and possibly his or her seat, for the public good unless the concept has been endorsed within the state.

The support of other rural interests is also important. Local governments and business and labor organizations will have to endorse the NGA proposal if it is to be successful. One way to help build political support would be to recognize that what is being proposed in rural areas is a set of actions meant to bring rural America fully into the mainstream of the national economy. If the policy is discussed in this context, it allows the rest of the nation to readily grasp the motivation. Certainly there are many others who are outside the main flow of the economy. Rather than speaking of a federal rural development strategy in isolation, we should be discussing a national economic development strategy that has a rural component. Appealing to a broader audience resolves one of the difficult problems of current rural policies, problems that tend to set up situations where urban and rural interests are pitted against each other. For example, high food prices may be good for farmers but not desirable for urban workers. However, programs that improve educational standards in rural and urban areas are of benefit to all. This does not mean that the programs available in urban areas would be the same as those in rural areas, nor that programs in rural Utah would be the same as those in rural Maine.

Many urban legislators continue to view rural problems as farm problems. Urban legislators can be shown that the root issues of rural areas--jobs, income and social services--are the same issues that their constituents worry about. Once this is accomplished, it is easier to explain program differences in terms of reflecting the differing needs of rural and urban places. If consensus is the necessary ingredient for obtaining policy reform, then the burden is on rural interests to show why they should be supported.

Linking rural and urban policies also allows better coordination. Most rural economies are part of an urban economy. They rely on a city for employment as well as goods and services. Drawing a line between urban and rural at a county boundary may be useful for some purposes, but for purposes of economic development, examining the entire functional economy is more useful. A general policy couched in terms of developing balanced growth and full employment, which coincidentally is the mandate of the Joint Economic Committee, could encompass both urban and rural issues.

The Nature of the Federal Role

One of the first issues confronting any major revision to rural policy is deciding whether the federal government is going to assert that all Americans are entitled to access to some minimal set of social services. This is in effect part of the current debate over minimum wages and medical insurance but covers more explicitly the rural dimension. It is a question of access to quality: education, hospital facilities, transportation, electricity, and telephone networks, and all the other pieces of physical and social infrastructure.

In the not-so-recent past, federal programs such as the Rural Electrification Administration, the Rural Telephone Bank, the Farm Credit System, and the Hill-Burton program to assist in the construction of rural hospitals suggested that the Congress was willing to make this assertion, at least implicitly. Under the current Administration, however, deregulation, cost recovery, and the imposition of user fees suggest that the new standard for determining access to social services is primarily based on an individual's ability to pay.

One of the first issues confronting any major revision to rural policy is deciding whether the federal government is going to assert that all Americans are entitled to access to some minimal set of social services.

The Administration position is based on well-recognized economic principles, but as with most economic principles, the world seldom satisfies the assumptions. Essentially the line of reasoning is that if there are two regions with differences in level of income and employment, market forces will bring about a natural process of convergence. Workers in the low-wage, high-unemployment area (rural) will recognize there are better job opportunities in the high-wage, low-unemployment area (urban). They will lower rural unemployment by moving and this will help raise rural wages.

While the theory makes intuitive sense, it assumes that workers have roughly comparable skills. If workers are not equally skilled, then it is possible to have outmigration from the high unemployment region and have conditions worsen. This can occur if jobs in the high-wage region require relatively skilled workers and the bulk of the labor force in the high-unemployment region are unskilled. The low-wage region loses its relatively skilled workers to higher paying jobs in the high-wage region. If the unemployed cannot fill the open positions, then unemployment does not go down. In addition, the unemployment rate may rise because of the loss of population and the average wage may fall.

This phenomenon is consistent with events in rural America over the decade. Outmigration has been highest among the most educated. Rural populations have declined with unemployment rates not falling, and rural incomes have fallen relative to urban incomes. This suggests that the emphasis placed on education in this meeting is important if convergence is ever to occur.

It seems to me that if the federal government decides to mandate access to a minimal set of services, it will effectively have little choice but to assist in providing them. Federal funds will be needed for rural areas to provide mandated services, just as the Clean Water

Act, which also requires compliance on a national basis, has federal funds to assist localities in meeting pollution standards. Otherwise, local governments in many rural areas will be unable to meet any meaningful standard.

Without minimal national standards the argument for direct federal assistance becomes less compelling. If economic development is to be left as a state matter, then differences in levels of development and standards of living of states presumably reflect local choices and market forces. While the federal government may still have a useful role in providing information and conducting research, it need not intervene to reduce these differences. In this latter case the principal responsibility of the federal government is to ensure that aggregate macroeconomic policies send stable and consistent price signals to all parts of the country.

This last point is clearly important. If interest rates and the exchange value of the dollar are not stable, this imposes disproportionate costs on particular sectors and individuals. Rural areas with their concentration of capital-intensive industries, such as mining and agriculture, and a large proportion of low-technology manufacturing are particularly susceptible. The high interest rates and high-valued dollar of the 1980s triggered much of the difficulty of the farming, textiles, mining and forestry sectors as foreign products became relatively cheap.

General Policies for Rural Development

Much of the current debate over the federal role in rural development is focused on trying to define particular programs that will meet rural needs. While programs ultimately are required to implement policies, they should not be the first item on the agenda. Ultimately, very few new programs may be needed since a large number of programs are still on the books. Modest redefinition of goals and changes in regulations in conjunction with restoring funding may be all that is required once the primary themes for a federal role are identified. My fourth assertion is that redefining the federal role is not a problem of identifying programs but one of setting out a vision of how rural areas fit into the nation and what the federal government's role is in achieving this vision.

One of the best things that the federal government can do in terms of assisting rural America is to ensure that rapid cycles in interest and exchange rates, like those experienced during the first half of this decade, do not happen again. This principle also applies to tax policies. On-again, off-again sector-specific tax policies, such as investment tax credits, are based upon a presumption that the federal government has a far better understanding of the nation's industrial structure and its investment needs than events in the past have ultimately shown to be the case.

In a rapidly changing economy, like that forecast for the United States, policies and programs that facilitate transitions are likely to be very important. The federal responsibility in this sense involves making sure that rural areas have access to adequate capital to make the investments necessary to reconfigure their industries and infrastructure. An area in which federal, state, and local governments can all play a role is similarly ensuring that the labor force has the capacity to adapt to changing job markets by providing job training and relocation assistance.

Since the nation as a whole benefits from a better-educated labor force, it makes sense for the federal government to play a role in ensuring equal educational opportunities across all parts of America.

In this context a strong case can be made for federal support of education. A point of general agreement is that the workplaces of the future will require better educated workers. Many rural communities lack the resources to provide a better education for their residents. In a sense these communities also lack an incentive to improve education. Evidence suggests that outmigration from rural areas is highest for the most educated. A rural community that taxes itself to provide better schools pays twice. In addition to the burden of higher taxes, the community also is more likely to lose its residents. Since the nation as a whole benefits from a better-educated labor force, it makes sense for the federal government to play a role in ensuring equal educational opportunities across all parts of America.

Access to credit will play a similar vital role in allowing rural America to transform itself into a productive portion of the national economy. No unequivocal evidence of discrimination against rural businesses by financial institutions exists, but claims of inadequate access to funds are numerous. Certainly there are higher costs of credit delivery in rural areas associated with smaller scale loans, greater risk and less opportunity for lenders to diversify. At the same time, failure to make credit available will preclude rural areas from developing to a point that these impediments are overcome. In this context, some form of federally sponsored credit facility may be appropriate. The concept of a national rural development bank has been advanced by a number of members of Congress over time. Such a bank would provide rural areas with access to capital under similar terms as agriculture now receives through the Farm Credit System.

Both education and access to capital are important because they are the means of breaking out of the current lock-step of continuous growth in some areas and continuous decline in others. During a recent Congressional Research Service symposium, DeWitt John observed that growing areas grow because they grew in the past. Conversely, declining areas decline because they declined in the past. His point was that unless an area has the fundamental attributes required for growth, it will stagnate.

Of these attributes, leadership and the presence of entrepreneurs are vital but are for the most part beyond the government's control. However, growth takes place where there are good workers and reasonably priced capital, and the government can improve a community's ability to provide these elements. Certainly the presence of such elements will not assure success, but in their absence it is more likely that new businesses will find a more amenable location.

Conclusion

There are numerous untouched questions in my paper including whether USDA is the appropriate location for coordinating the federal effort or whether such an effort can be coordinated without major consolidation of authority. These issues present questions of implementation rather than questions of strategy. Once the federal government resolves what it hopes to accomplish in its rural development activities, such questions can be answered. In the absence of a strategy, they are premature. In conclusion, let me restate the four assertions made earlier in the paper:

- First, both Congress and the Executive branches will have to recognize the difference between farm policy and rural policy.

- Second, there will be no major influx of federal funds because of budgetary constraints and competing demands.

- Third, the only group with sufficient political power to develop a rural coalition and effective rural policy is the state government.

- Finally, the issue at hand for the federal government is not one of identifying programs that can be used to implement a redefined federal policy but one of identifying how the federal government can help rural areas become full participants in the national economy.

NARRATIVE FOR FIGURES

Figure 1 shows relative levels of per capita income and points out that convergency of income, which is the backbone of the Administration's rejection of rural development programs, is not taking place. Nonmetro income is back to 72 percent of the metro income level erasing all the gains that were made in the 1970s.

Figure 2 shows differences in reported unemployment rates and indicates that unemployment remains a more severe problem in rural areas. In the 1983-1987 period, nonmetro unemployment has been at least 2 percentage points higher than in metro areas. In addition, there is evidence that reported rates undercount actual rates of unemployment in rural areas to a greater degree than in urban areas. This reflects a greater degree of underemployment in rural areas and a greater incidence of discouraged workers withdrawing from the labor force.

Figure 3 shows that labor force participation rates are lower in nonmetro than in metro areas. This lower participation rate is consistent with a greater incidence of discouraged workers and more limited job opportunities. While labor force participation rates have always been lower in rural areas because of demographic differences, the data show an increasing difference rather than a stable gap.

Figure 4 reflects the result of fewer employment opportunities and lower incomes in nonmetro areas. Outmigration from rural areas has increased through the decade reducing the population of rural communities and lowering their likelihood of survival.

Figures 5 and 6 show that rural residents have a lower level of educational achievement than their metro counterparts and that the more educated are most likely to leave rural America for urban employment, resulting in a brain drain. As a result, rural investments in education ultimately appear to benefit urban areas. Since it is widely agreed that economic recovery in rural America will require the development of new industries and better management of existing industries, the loss of the more highly educated portion of the labor force will slow the pace of economic growth.

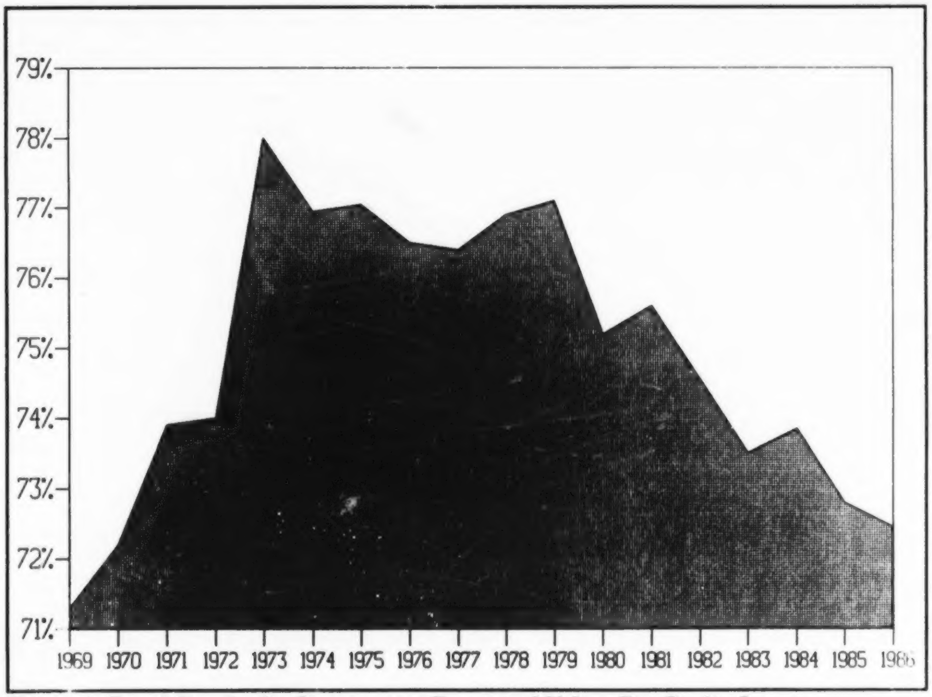

Figure 1. Rural Per Capita Income as a Percent of Urban Per Capita Income

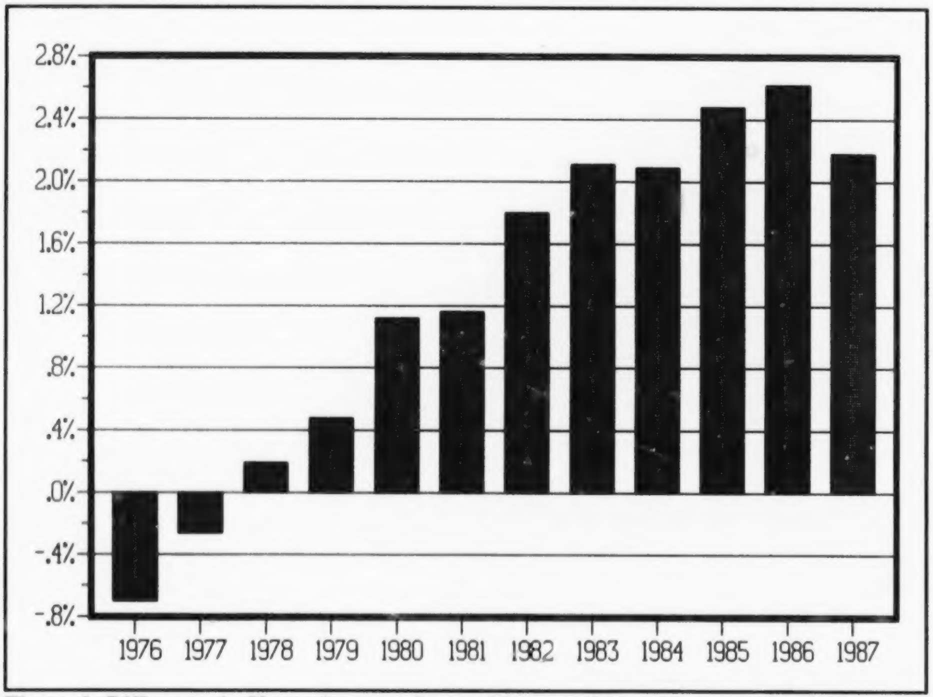

Figure 2. Difference in Unemployment Rates (Metro and Non-Metro: 1976-1987)

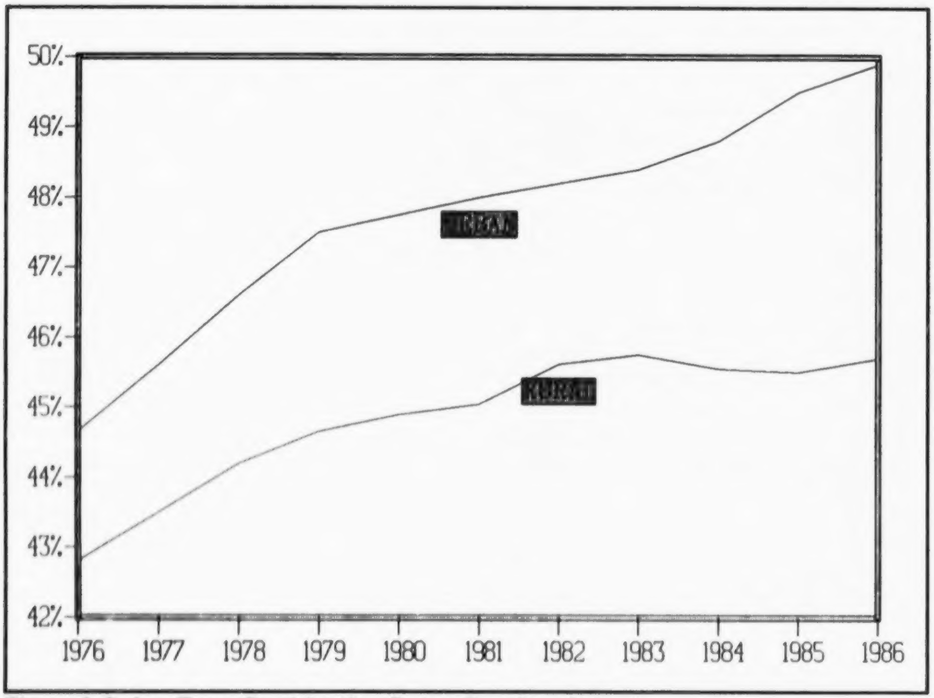

Figure 3. Labor Force Participation Rates (Rural vs. Urban)

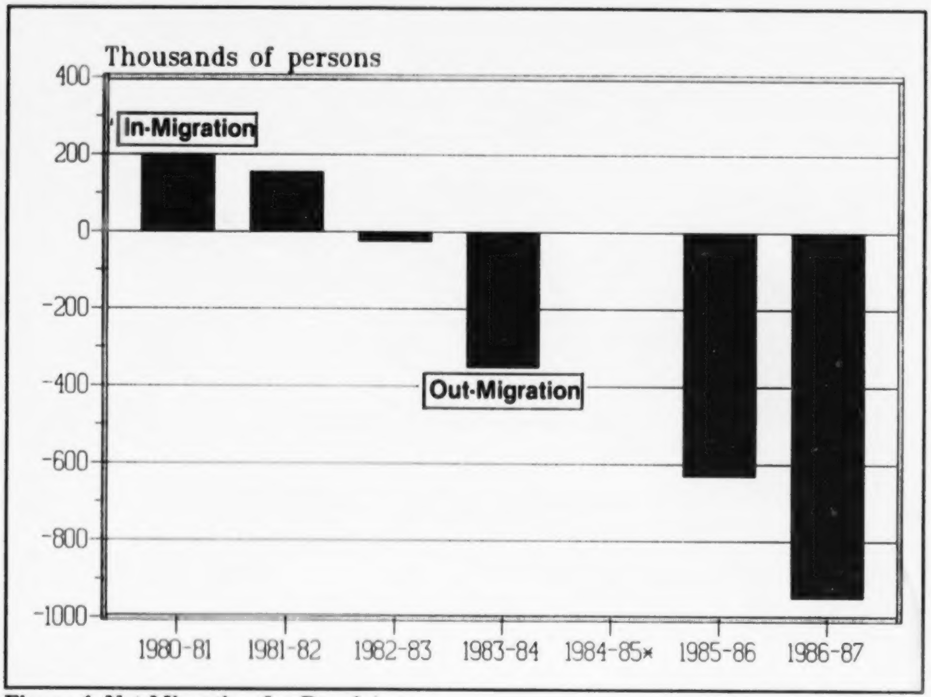

Figure 4. Net Migration for Rural Areas

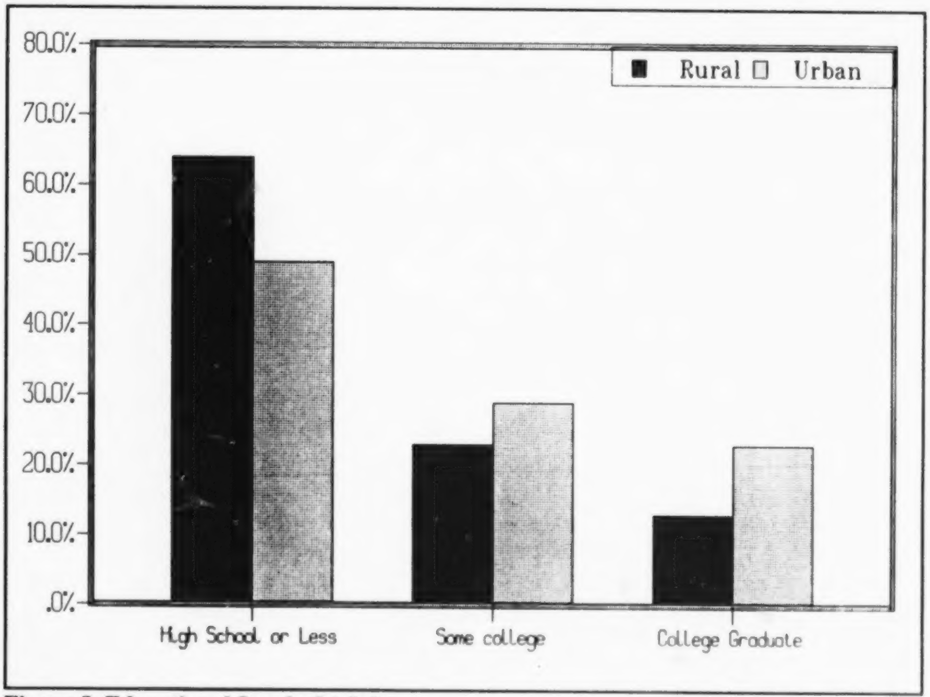

Figure 5. Educational Level of Adults

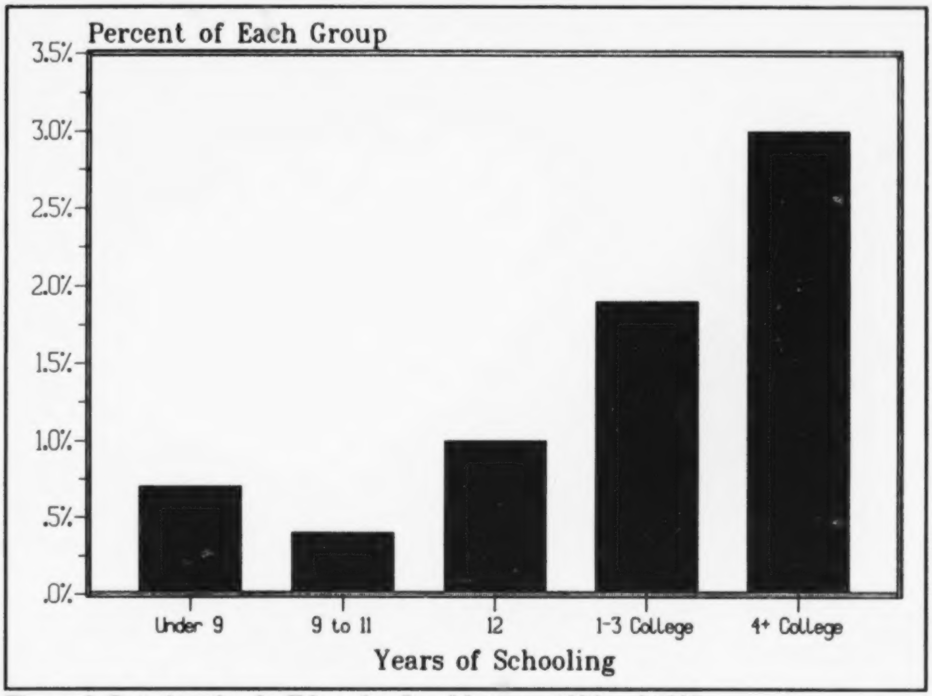

Figure 6. Outmigration by Education Level between 1986 and 1987.

Federal Role in Rural Development: Western Region

Andy Gross, Executive Director
Nevada Commission on Economic Development

Having been the governor's chief of staff and the research director for the state legislature, I have a state perspective or state bias on what the federal government ought to do. But I have always found that the federal government can look out for itself, so we do not have to worry too much about an even-handed approach.

I do not think all conferences of this nature get to the basic root policy question or attack it head-on. Should there be a federal policy to preserve rural communities? If so, why? Are there intrinsic values? I understand that Gov. Andrus, your keynote speaker, said there are. It's like the family farm. There are inherent, intrinsic American values of considerable importance that are to be maintained by preserving rural communities. I would say that is a point of view; it is not settled policy. If we are going to save some communities, then which ones? If not all, who determines which ones? And if not all, who does the triage?

We will never say, "Let the market decide. It's not government's role." That is a politically untenable position, so I do not think that is an option. The polar alternative -- a full court press to save rural America -- is also politically untenable simply because of the cost that would be involved. Where does that leave us? I think it leaves us either with continued ineffective drift or a better use of current resources. It is the federal role, I think, to encourage the most effective use of limited resources. Only the federal government can play that role across the country.

> **The federal government can certainly structure incentives and disincentives to force choices and priorities.**

We know some of the programmatic approaches that don't work. We know that agricultural policy doesn't substitute for rural policy. Certainly in Nevada the level of grazing fees is far more important than the subsidy prices for corn in terms of affecting our rural economies. For that matter, mineral leasing is far more important than grazing fees. That has been well recognized in your discussions.

We know that a universal rural policy does not work. Education alone certainly is not going to work. In fact, it may accelerate the problem by hastening the departure of the best youth in rural America. You could probably say the same thing about job training. As was indicated here earlier, you cannot have rural policy that is simply a small scale urban policy. There must be a policy recognition that every rural community cannot be saved. Now I don't know what conclusion you have come to, but clearly in the conference you have posed that question. I suppose that different ones of you have different answers, but that is certainly the position that I would take. In the sense of rural viability, not every rural community in America today can or ought to be saved.

The federal government can certainly structure incentives and disincentives to force choices and priorities. This gets tough, of course, for the states, governors and legislatures complain that federal policy ignores them. Congress does not want state control and state credit for the use of federal money. That is a political reality that is understandable and has to be dealt with. On the other hand, states want to control policies affecting their communities. That is perfectly natural. Can these things be resolved? Perhaps they can.

Before discussing control and credit -- the two C's of most political decisions -- let's consider the basic options. Assuming we have a way to identify the chosen -- that is, the survivors -- how do we bring it about? You can do it through either macropolicy or micropolicy. Macroeconomic policy can certainly do the trick. Some 25 years ago France decided everything was moving toward Paris; Japan toward Tokyo; Korea toward Seoul. They saw how with incentives and disincentives, they could reverse that or keep it from going any farther. So national policy can affect that sort of thing, but that is a major policy step. You could make it extremely attractive tax-wise to locate new businesses in rural America. But are we going to do that? It's not very likely, I don't think, because it is politically improbable and economically inefficient. You have to give certain credence and respect to the market forces that determine where people locate businesses and facilities. If you try to change that too much, you are going to distort the basic economic dynamics.

Microeconomic policy -- grants, subsidies, payments-in-lieu. All of these are ways to help communities provide basic services and thus remain viable. All of these are transfers, a form of transferring money from urban America to rural America in order to preserve rural America.

My idea of an appropriate approach is what I call a state/federal shared-gain, shared-pain approach. It's based on several assumptions. Assumption number one is that resources are limited. Assumption number two is that not every rural community can survive. Assumption number three is that states have a legitimate and possibly indispensable role because state law and policy would be very significant forces affecting rural communities regardless of what federal programs and policies are. All those state laws that affect rural governments are not going to go away. Given assumptions one and two, no one can have both control and credit. There also will be blame, and the blame has to be shared. Whoever gets credit also must take blame, and here's how it would work. It is unrealistic for us to expect appointment of a rural czar or development of other extraordinary structural approaches to a coordinated rural policy at the federal level. We cannot even agree in this country whether or not there should be a federal drug czar, so I do not think that we can expect a rural economic development czar. Congress, however, with the assistance of the Office of Management and Budget, can effect a fair degree of coordination among the various agencies that have programs affecting rural America. All rural economic development programs regardless of agency would have to meet certain criteria, but what criteria must they meet? The basic requirement for a state role in rural economic development programs would be a coordinated rural economic development plan for the state. States would develop these plans in concert with their local governments. The federal legislation would provide a phase-in period of two to three years for development of the state plans and phase in of their use. After that, no federal rural economic development grants, loans or other assistance can go to a state without such a plan. The plan would have to contain minimal elements that would provide indices of survivability which in turn would lead to eligibility choices for communities. For those communities that fall below probabilities of survivability, the plan would provide for training and relocation assistance. In other words, it would ease the pain or provide for the adjustment to the demise of communities. This would not be irreversible. It would not mean that once a community is stamped as a loser, the community has no choice but to die. Instead, a local community could change its designation through local efforts or other unforeseen events such as a mineral discovery, a military base, a new state prison. Various things could change the indices for a particular community and move them from unlikely survivor to likely survivor. For those that are likely survivors, the plan must provide for infrastructure improvement, business attraction incentives and the like. The pain-and-gain deal between the state and the federal government would be based on the state's taking the heat for the triage, but then, based upon plans developed by states along with their local governments, the states would control the targets of federal rural economic development

My idea of an appropriate approach is what I call a state/federal shared-gain, shared-pain approach. It's based on several assumptions. Assumption number one is that resources are limited. Assumption number two is that not every rural community can survive.

programs. Also, states could blame the necessity for this whole thing on the feds. Federal funds would be block granted for use in accordance with a state plan. The feds would have approval over a state plan, thus control would be shared -- the states' writing it but the fed's signing off on it before it could be effective for purposes of federal assistance.

Finally, I think the cash-match requirements for any rural economic development block grant should be significant. The goal would be eventual federal phaseout, maybe over a 10- to 15-year period with declining federal percentages. This would get the states more and more to the point of taking it over. You obviously have to bait the hook on the front end. The federal role would be significant but it would be intended as transitional. The point of state plans and federal money would be to ease the demise of some communities and facilitate the economic renaissance of others. In either case, federal involvement would phase out after a period of time. State plans would be reviewed and changed periodically. For a state unwilling to make the pain-and-gain deal with the feds, the choice is to go it alone and either provide assistance themselves or let economic nature take its course. Perhaps local communities in a non-participating state could develop local plans and meet the survivability criteria and be eligible for federal rural economic development programs. Reality suggests that any community that could do this on its own is a likely survivor. There would be no requirement for a percentage of losers. If state and local resources are applied to cure deficiencies so the potential non-survivors become potential survivors, that is a viable policy choice. The point is that the federal resources would not be used for the likely non-survivors unless extraordinary lifesaving efforts are first made by the states and the localities themselves.

In conclusion, is this idea fair? Is it likely to be passed in the 101st Congress? I will not even attempt to answer that. Is it politically feasible? Is it economically sound? I think the answer -- at least compared to alternatives that are around -- is like Churchill said about democracy: "It is the worst possible form of government except everything else that we have tried." Perhaps that could be said about this idea as well. I think it is as fair as life unless you feel that government should protect every individual and community against whatever forces threaten them. There are people who believe that. In that case, we save them all and pay the price. Congress can turn the administration over to OMB and executive agencies for the tough decision but still have plenty of good things to claim credit for. States and governors control the economic destinies of their communities, but they pay the price of hard choices and spending state funds. The economic sense and fairness of this federally led restructuring of rural economic development would be far preferable to the present amorphous non-policy.

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State Role in Rural Development Policy: North Central Region

Randy Wade, Administrator of Research and Planning
Wisconsin Department of Development

I have been asked this morning to discuss the state role in rural economic development policy. To do that it would be useful to examine briefly the evolution of the state public policy role in our federal system from an historical perspective.

The story really begins in the 1920s and 1930s when a quiet revolution was taking place throughout the state houses in the United States. In the absence of an extremely strong federal government (that we are all familiar with today) as well as large budgets and a $3 trillion dollar deficit, the governors in the state legislatures were experimenting with a number of approaches to solving the pressing social and economic concerns and problems associated with the rapid industrialization that took place in our country after the turn of the century. This Progressive Movement, as it came to be called, spawned numerous and sometimes ambitious state-level governmental innovations and also local-level innovations. In Wisconsin, for example, state public policy innovations were spurred by state leaders and supported by the intellectual horsepower provided by our land-grant university. Wisconsin pioneered the state progressive income tax, workmen's compensation, unemployment insurance, and the regulation of utilities by a strong Public Service Commission. During this fertile period of state innovation, state governments truly acted as the laboratories of democracy as envisioned by Supreme Court Justice Louis Brandeis.

The states all have existing economic development programs, and it would be an absolute nightmare to bring on board a series of federal rural development initiatives that were not explicitly coordinated with those important on-going activities already in place in the states.

While these progressive reforms first appeared at the state and local level, they were gradually adopted at the federal level. This process, I think we can all agree, was culminated in FDR's New Deal. In spite of the New Deal's indebtedness to the innovations pioneered by the states during the Progressive Era, the New Deal federalism represented in many ways an end or the beginning of the end of state leadership in the public policy arena. As recently as 25 years ago during the late 60s and early 70s, state governments were widely regarded as the enemies of positive social change. Many of the programs associated with LBJ's war on poverty, for example, blatantly and totally bypassed states and even local governments in pursuing federally defined social goals. I think this was disastrous; social change requires ownership. The local communities and their governments are critical to bringing about social change, and we need to embed this change in existing social structures, organizations, and governments. However, with the economic dislocation associated with the 1974-75 recession, the public began to become gradually aware that all was not well with the American economy, and the federal government was government's response to it. Jimmy Carter ran as the Washington outsider who would bring discipline to the federal government based upon the management skills that he had honed during his years in the Georgia state house. President Reagan in many ways owed his election to the deepening national economic crisis we were experiencing during the 1960s. His solution to it has been to realign the free market system and actively pursue dismantling federal programs (i.e., EDA, the Appalachian Commission, and urban development action grants) aimed at enhancing regional and state level economic development.

Spurred by President Reagan's implicit challenge to the states, and probably more importantly by the extraordinarily severe 1982-83 recession, state governors have sprung into action. The Midwestern rust-belt states suffered especially during this last recession. In 1982 at the height of the recession, Wisconsin's unemployment rate was 10.7 percent. Ohio's was 12.5 percent. Michigan's was 15.5 percent. At the peak of the recession, Michigan had an unemployment rate of 17.5 percent. Pennsylvania's was 12 percent; Indiana's was 11.9 percent; I could go on. Faced with these double-digit unemployment levels, the state governors throughout the United States and particularly in this region had very little choice. Their responses to this economic crisis had little to do with ideology and had everything to do with seat-of-the-pants pragmatism. Throughout the country, both Republican and Democratic governors have reacted and reactivated the laboratories of democracy as envisioned by Louis Brandeis, and they put forth a blizzard of state economic development initiatives designed to address the profound problems evident in both urban and rural areas in our state economies. This great experiment has resulted in all kinds of initiatives. We have seen gubernatorial strategic planning exercises representing industry, labor, and government, perhaps for the first time in many of our states. We have seen technical assistance programs for entrepreneurs, small business incubators, employee buy-out programs, state venture capital funds, economic development investment programs by state pension funds, labor management and cooperation programs sponsored by state government, university technology and industrial extension programs, and multi-million dollar tourism promotion programs. These are just a few of the numerous initiatives that states have pioneered.

In the process of developing these initiatives, the states have hammered out a new political paradigm, at least with regard to state economic development policies. In the past six years, the states have truly taken the lead and developed an impressive and sophisticated body of expertise on the various approaches to urban and rural economic development. And they have committed enough political and economic capital to ensure that it will be some time before the states are again challenged by the federal government in terms of supremacy, in at least this area of public policy. In effect, the governors have said collectively to the federal government that the emperor has no clothes, at least with regard to economic development. This is not to say that there is no role for the federal government. While the states clearly have the upper hand in terms of expertise and six years of experience, the state treasuries are not limitless. This is particularly true in light of the problems we are continuing to face, especially in our rural areas. I would argue that the federal government's efficiency in raising revenues and its ability to geographically redistribute funds from areas of affluence to areas of economic distress and hardship make it a potentially pivotal funding source for state rural development programs. I support, however, the approach taken by the National Governors' Association emphasizing the maximum amount of gubernatorial flexibility and discretion in administering any of these new federal programs if they are, in fact, proposed and implemented. I want to emphasize again an administrative role for the states. I think it is critical. The states all have existing economic development programs, and it would be an absolute nightmare to bring on board a series of federal rural development initiatives that were not explicitly coordinated with those important on-going activities already in place in the states.

The key to rural economic development is diversification. States must encourage the expansion of existing businesses and the recruitment and start-up of new businesses in areas such as manufacturing, tourism, services, and retail and wholesale trade.

On the subject of federal funding, I sat and listened to the various initiatives and proposals examined here today, particularly in light of federal funding for each, and I think one of the things I am very concerned about is the absolute lack of evident concern for the fiscal implications of what we are talking about. We are talking about a large number of dollars and a U.S. Congress that from the perspective of both parties is not looking at large new initiatives. In addition, I have not seen a lot of evidence of what the priorities are? What are our priorities? What are the most important two or three things that we want to pursue in terms of the federal agenda? So much for the federal, let's get back to the states. Where does this leave the states in terms of specific actions? I previously argued that the states have taken the lead in terms of economic development initiatives for rural areas. I strongly agree, however, with Glen Pulver, who spoke before me. I agree that rural development is broader than just agriculture; that for a large number, if not a majority of rural areas, agriculture is a relatively small proportion of employment and income generation; that farm policy cannot solve rural community problems. Given this, I believe that the key to rural economic development is diversification. This does not mean that the farming sector as well as other commodity production sectors such as mining and forestry can be ignored. Absolutely not. However, it does mean that the states must encourage the expansion of existing businesses and the recruitment and start-up of new businesses in areas such as manufacturing, tourism, services, and retail and wholesale trade. They must look specifically to those businesses that serve a basic role in the regional and state economies of each of our states and communities.

Virtually all states in the North Central region already have begun a number of approaches to diversification. All these approaches reflect the peculiar characteristics of each state, but most state economic development programs show certain common themes. To give you a sense of the specifics of what one state is doing, I would like to use Wisconsin as a case study. In May of this year, Governor Thompson created by executive order the Governor's Rural Development Coordinating Council. This council is made up of 11 members representing the Wisconsin Department of Development; the University of Wisconsin Extension; the State Department of Agriculture; the Vocational-Technical and Adult Education Board; federal agencies; regional planning commissions; the Wisconsin Bankers Association (a key source of capital in rural areas); and the towns association and county boards association representing local government. From a gubernatorial perspective, this council is unique. We have voting and active members from the federal agencies because these agencies have an important role to play in rural economic development in Wisconsin. The secretary of the Wisconsin Department of Development is the chair of the Rural Development Coordinating Council. It is also important to note that Pat Boyle, the University of Wisconsin Chancellor of Extension, is the co-chair of the governor's council.

Let's get out of the process of smokestack chasing and competing with other states. Let's look at indigenous entrepreneurs and existing businesses in terms of creating jobs and expanding.

The council is charged with inventorying and coordinating existing state, federal and local rural development programs as well as making recommendations to the governor for new rural development initiatives. At the last meeting, the council began the process of identifying a set of strategic initiatives for consideration by the governor. Now the first step in such an identification process is to see what we are already doing at all levels -- state, federal and local. While that process is not complete, it is useful to remind ourselves of all that we are doing to serve rural economic development, not just in Wisconsin but in all the states. In Wisconsin, for example, a number of existing programs must be cited. There is the Wisconsin Development Fund, a $21 million fund made up of about $13 million of community development block grant funds from the federal government. As you know, block grant funds are targeted to communities less than 30,000, so it is almost by definition a rural development program. In addition, we have other state GPR monies that support a customized labor training program. We have a technology development fund that operates in both large and small project categories. These monies are available for both urban and rural areas. A state vocational-technical and adult system has 16 districts that are absolutely critical to the economic development of our rural areas both in terms of a trained work force and hands-on work with local businesses, particularly new business start-ups and small businesses. I think this is a change in the mission of our state vocational-technical and adult system. The Department of Development has business consultants that operate out of Madison but serve five regions of the state. They are hands-on dealmakers who work with individual businesses and provide management assistance, network with sources of capital, and make available all the various resources of state and federal funding for individual deals. The DOD has a permanent information system with a 1-800 help business number. It is a clearinghouse, and as a part of the council's agenda, it will become increasingly involved and publicized as a rural development clearinghouse. We have a DOD tourism program, just as many other states have tourism and promotion programs. We have not talked about them much today, but these programs are very critical to rural development. Tourism is essentially a rural issue in most of our states. The University of Wisconsin Extension and the Small Business Administration have Small Business Development Centers that operate on 11 campuses in Wisconsin. This is an important joint federal-state program in terms of dealing with new businesses and new business start-ups. The regional planning commissions provide technical assistance to communities, and we have aided them in Wisconsin. The FmHA Business Industry Loan program provides funding for industries in rural areas. The SBA Loan Guarantee Program is critical to businesses. The EDA provides technical and financial assistance grants to local communities. And the University of Wisconsin Extension has a nationally recognized community resource development program that provides at least 50 Extension agents to work with communities, particularly on rural development issues. These are just a few examples of the many state and federal programs that exist in rural areas.

We have to realize in our states and in regional conferences such as these that we should not try and re-invent the wheel. In many cases, existing programs can be better targeted and can be made more accessible to rural communities and rural business people. In addition to this inventory that our council has conducted of existing programs, we also have begun looking at new initiatives. The staff of the council conducted a survey of state programs for rural development, and there are many. Don Norton mentioned a few today, and others have talked about programs they have in their states. We held a hearing in association with the governor's Western Wisconsin Week and listened to testimony from rural people about their concerns and needs. We also consulted with other state and federal agencies to determine what they felt the needs were and came up with some 27 potential initiative areas or issue areas for consideration by the governor. We have narrowed this down to 10 areas for consideration and further development.

Poor management skills really is the major problem faced by small businesses; it is probably much more important than lack of capital.

In looking at the 12 areas of state action identified in the National Governors' Association report, *New Alliances for Rural America*, I can identify at least nine and probably 10 that are explicitly addressed in the 10 issue areas we identified. Let me walk you through some of those NGA state action areas and then cite the initiatives that are being considered by the Governor's Rural Development Coordinating Council. The first item, and this is an NGA recommendation, is that states should hire special staff, create offices of rural affairs, and create written guidelines to ensure that rural areas have adequate state resources and research for decisionmaking. I think the Governor's Rural Development Coordinating Council certainly serves that function and meets that criteria. A second recommendation of the NGA was that states should provide reliable, individually tailored expertise and information to rural communities to help them prepare and implement their own decisions. What the council is looking at in Wisconsin, to meet that recommendation, is a Community Preparedness Program. University of Wisconsin Extension has an excellent educational program for working with communities, educating them on what is rural development, and then identifying some broad development strategies. What we want a Preparedness Program to do is to add on to that a very strong implementation, one that deals with the communities and probably just as importantly with individual businesses that are going to be creating the jobs we all need in rural areas. I would highlight that effort as being one of coordination. It is very important to provide a vehicle for coordination and a high-level one to force people to work together.

Another recommendation is that states should orient their economic development activities toward existing and new businesses. Implicitly, let's get out of the process of smokestack chasing and competing with other states. Let's look at indigenous entrepreneurs and existing businesses in terms of creating jobs and expanding. What we are looking at here is a state grant-loan program for incubators in individual communities. It is a partnership between the state and individual communities in which these incubators provide (a) an opportunity to rehabilitate some of our communities and (b) technical assistance and networking that small businesses really need to succeed and flourish. Poor management skills really is the major problem faced by small businesses; it is probably much more important than lack of capital.

Another NGA recommendation says that states should help make a broad range of technical information and expertise available to rural businesses and broaden the kinds of financing easily available in rural areas. Here our governor's council is looking at establishing a series of district offices of Department of Development staff throughout the state. These district offices would take staff who are operating out of Madison and place them in rural areas throughout the state. This would enable them to provide much more tailored and sustained technical assistance to rural businesses. In addition, we are looking at financing rural businesses through a rural revolving loan program. I do not think the state or federal government will ever be a key player in terms of overall financing for new business start-ups or existing business expansions, but it is important for governmental development personnel to have that small amount of money available. It may make the difference between a deal or no deal. It could be a part of a commercial bank package or perhaps an SBA loan or a community development block grant. Then a small amount of almost-equity capital from a revolving loan fund might make that deal really sing. We are also looking at, from the financing point of view, the expansion of community economic development powers at the county level. Counties cannot use property taxes, for example, in their general obligation bonding authority to provide loans to businesses. We are looking at the expansion of those county powers to have a new player on the economic development playing field. A county is an excellent regional resource for funding economic development initiatives in the communities throughout the land area encompassed by the county.

Another one of the NGA recommendations says that states should encourage local communities to pool their resources and build substate regional mechanisms for cooperation. Seeking out expanded county economic development powers is one example of using a regional financing base to serve the economic development needs of a community. The regional revolving loan fund concept whereby a state would provide a grant to a group of counties to run a revolving loan program also meets that criteria.

Another NGA recommendation urges states to help traditional industries to develop new products and new markets. Here we are examining an agricultural processing and diversification program. This would be a loan guarantee program for processing agricultural products. We also are looking at a research and development grant program, particularly for market research, to determine some of the cooperative initiatives that can take place for new specialty projects. In addition, we are considering a demonstration grant program to individual entrepreneurs to demonstrate new kinds of agricultural processing and specialty crop marketing and product development activities.

Another one of the recommendations is that states should encourage rural school districts to find distinctive ways to restructure themselves, including distance learning. Here we are looking at a state telecommunications initiative.

Another NGA recommendation suggests that states should gear highway investment decisions to economic opportunities and adopt more flexible standards. Here we are going to provide strong support for a gubernatorial initiative to expand the state truck highway system to four lanes in many of our rural areas to develop our tourism economy and provide better conduits for goods and services.

And, finally, the NGA recommends that states should invest in upgrading the skills of workers in rural areas and encourage distinctive models such as locally designed block grant programs. Here we are looking at an outreach program that would make local farmers, particularly those who are distressed and/or dislocated, aware of economic development programs and training programs that are available to them. In many cases, they will not admit they have a problem. We need to do a strong outreach program and even provide support services such as day care to encourage them to take advantage of these programs.

In summary, I think the states have taken the lead. If you will look at the 10 initiative areas that I have suggested, they really break down to four categories in terms of a state role:

- Coordinate, as in the example I gave you of the governor's council and the joint activities of the State of Wisconsin Department of Development and the Extension Service.
- Provide an advocacy role for local units of government and business people in terms of economic development activity. That is an important state role -- advocate to the federal government and advocate to the legislature for expanded powers for counties, for example.
- Provide technical assistance to local communities and businesses. I think that is implicit in many of the recommendations, and it is an extremely important state role that should not be understated.
- Provide a small amount of financial assistance both to businesses and communities to ensure that they can adequately conduct rural economic development activities in their communities and regions.

State Role in Rural Development Policy: Northeast Region

Senator Charles D. Cook, New York State Senate
Chairman, Commission on Rural Resources

Public policy relating to the rural areas of this nation is couched in Normal Rockwell images. All too often, the word "rural" is thought of as synonymous with "agriculture," conjuring up images of picture postcard landscapes peopled by pleasant but not-too-bright remnants of the 1930s.

Indeed, agriculture *is* the single most important economic and social influence in rural America, and indeed rural towns have succeeded in preserving some of the atmosphere and grace of an earlier day. But they are also an integral part of our 20th century society. The convergence of the traditional rural America into the national mainstream is a trend that began sometime after the end of World War II and has continued at an accelerating rate into the present day. There has emerged a rural population which is in need of the same kind of government services as their urban cousins, yet the conduits through which those services must be delivered are patterned in an urban context and function poorly, if at all, to serve rural people. There is a critical need for state and federal policymakers to recognize this fact of life here in the last quarter of the 20th century.

The changing nature of agriculture underscores the need to diversify the rural economy. Specialized hi-tech jobs or seasonal employment in the tourist industry cannot fulfill the employment needs of the less-skilled and less-educated worker. Encouragement must be offered for industries, particularly those utilizing indigenous raw materials, including agricultural products, forestry, and stone. Not only must rural communities be able to provide the necessary public infrastructure, but care must be taken to ensure that venture capital is accessible to the small entrepreneur. The trend toward statewide and even interstate banking institutions threatens the availability of credit for local investors.

The changing nature of agriculture underscores the need to diversify the rural economy. Not only must rural communities be able to provide the necessary public infrastructure, but care must be taken to ensure that venture capital is accessible to the small entrepreneur.

In New York, our Commission on Rural Resources is proposing a Rural Development Authority that would make $1 million available in each county in a venture capital fund aimed at utilizing indigenous natural resources in ventures such as woodworking plants and packing, canning, and processing plants. We need to capture the value-added benefits of manufacturing and processing, not simply harvest or mine our raw materials and send them elsewhere. This program would undergird the agricultural economy by encouraging diversification and would also provide employment for farmers who have been forced out of production.

Many economic studies indicate that our national work force is turning increasingly to service-related jobs and has precipitated a corresponding reduction in manufacturing employment. Nevertheless, we continue to be a major source of raw materials that feed the industrial machines of other nations. Our emphasis on industrial conglomerates and urban-based factories employing thousands has put us at a competitive disadvantage with many emerging nations that still have a strong cottage-industry base. It costs little more to transport finished wood as well as agricultural and ore products than it does to transport the raw materials. By surrendering the value-added benefit of finishing off our products, we concede a great deal of the potential of our natural wealth. I am not a starry-eyed dreamer who thinks we can go back to a mill-town economy, but I do think that industrial engineering needs to become a participant in the sociological trends toward demographic dispersion and find ways of putting employment opportunities where people want to live rather than forcing people to live where the employment opportunities exist.

Economic development cannot occur, however, in the absence of a viable transportation network. Almost all parts of the highway system are experiencing increased functional demands and deterioration of past capital investment resulting from changing needs, age, and deferred maintenance. The problem is accentuated with respect to local roads, especially those in rural areas.

A recent study in New York found more than 10 percent of state highway pavement in poor condition, but more than 20 percent of local roads are in need of significant repair. A 1984 study by Dr. Rae Zimmerman, an associate professor in the graduate school of Public Administration at New York University, found that more than 60 percent of the New York roads rated in deteriorated condition were local roads. Three out of every four miles of these deteriorated local roads were in rural areas. In addition, while 30 percent of state-owned bridges are structurally deficient and need to be replaced or rehabilitated, 50 percent of municipally owned bridges are deficient. Based on this data, it is accurate to say that local roads and bridges in rural areas have borne the brunt of deferred maintenance and changing needs.

While it may be true that the local road system handles less traffic volume per mile than does the interstate and arterial road system, the economic impact of neglecting local, collector and distributive links could be as detrimental as neglecting the main arteries. Rural roads and bridges are crucial to the efficient and dependable movement of agricultural products to market and to the movement into rural areas of necessary inputs. In addition to the growing realization that adequate maintenance and rehabilitation of roads and bridges are often beyond the financial capacity of local governments, the ever-increasing demands of heavier trucks, wider agricultural equipment, and more commuter traffic make it imperative that we focus attention on this vital component of the road system.

Also of great concern is travel safety and the great loss of life and health caused by inferior roads. This is a matter of particular concern for rural citizens. Roads in rural areas are often narrow, winding, and inadequately signed and posted. These conditions contribute to a significantly higher accidental death rate than is found in metropolitan areas. According to 1984 data compiled by the New York State Department of Health's Division of Vital Statistics, the accidental death rate in rural counties was 30 percent higher than metropolitan counties. In fact, the accidental death rate increases as counties get progressively more rural in nature.

In the most rural counties of the state, the accidental death rate is more than twice the level of urban counties. In addition to contribution to accidents, narrow and winding rural roads also lengthen the response time and access to emergency services, time that may be critical in saving lives.

Furthermore, more than half the farm families in this nation now derive a majority of their income from non-farm sources. The picture of the farm family who travelled into town once a week to pick up necessary staples is an element of American Gothics that has to be erased. Rural families, be they farm or non-farm, are transportation-dependent in every facet of their lives.

Roads in rural areas are often narrow, winding, and inadequately signed and posted. These conditions contribute to a significantly higher accidental death rate than is found in metropolitan areas.

The interrelationships of economic, social, and demographic factors moving through rural America must be reckoned with. Demographics of rural counties are changing. In some areas there is an influx of younger professionals needing expanded opportunities for education, recreation, and housing. Increasingly, however, rural populations are at the older end of the demographic scale, requiring additional and diversified medical and social services, transportation, and community support capability. All of this places a strain on existing waste and sewage systems, on supplies of natural groundwater, on governmental services, on fire and police protection, and on educational institutions. It creates a tension with the existing undergirding of agriculture and other primary industries.

The economic distress of farm families has a demoralizing as well as a debilitating effect. Social, family, and health agencies are having to reach out with new services to a segment of the population that has been thought of as inherently self-sufficient. The traditional support system of the extended family, neighborhood, and church is either non-existent or is overwhelmed by the magnitude of problems such as drugs, alcoholism, domestic abuse, and teen suicide. These ugly monsters lurk in the hidden valleys of our idyllic countryside and haunt the thresholds of farm houses as well as city tenements. They cry out for attention from governmental agencies, and the method of responding inevitably involves transportation.

The challenge is not so much to create new services as to devise ways to direct those services toward those who require them.

Yet the challenge is not so much to create new services as to devise ways to direct those services toward those who require them. A report of the Council of State Governments in 1986 concluded that the public funds currently derived from federal, state, and local sources were adequate to meet all the transportation needs--not wants--of our people. There is, however, a challenge to coordinate those programs and services. All too many transportation programs are available only to narrowly defined service groups. The senior citizen bus stops, for instance, are available to take an elderly resident to town to do her grocery shopping but are unavailable to the young mother next door who also needs groceries. Conversely, when the social services vehicle picks the mother up to go to the doctor, the senior citizen can't ride even to the same medical facility if she is not a public assistance client. This kind of stupid mismanagement wastes dollars that are ultimately all derived from the same taxpayers. Service agencies have to be educated to the fact that whatever may be their primary service group, they ultimately are there to serve all the public.

New York's efforts toward transportation coordination have received attention from other states that are starting to feel the pressure of rising demands. The success in the area of transportation suggests the possibility of improved management of other social programs. Integrated case management, which would deal with health and social problems across the narrow agency functional lines, gives better service at less cost. The savings of eliminating duplicate trips by clients as well as workers can go a long way toward providing necessary funds to extend services to other rural people.

Nor can we be economically competitive if the products of rural schools are not on a par with graduates of urban systems. Not only must potential workers have the basic knowledge that will enable them to quickly assimilate the specialized skills with which they must work, they must also create the kind of community atmosphere in which growth and progress are fostered. The tension between developing an educational system that on one hand addresses the unique needs of life in a rural community but also equips rural students with the ability to move out into more cosmopolitan pursuits is a challenge that is not articulated by measurement of basic skills.

Furthermore, the costs associated with diversifying curriculum fall more heavily upon the small rural system that does not have access to the broad range of resources available in urban centers and has only a limited number of students who will utilize specialized information.

Technology offers one avenue by which these needs can be addressed. The Commission sponsored a pilot project in interactive telecommunications linking five schools where students could take specialized courses. Growing out of those pilot projects is now a full array of subject courses being offered to students of all schools within the area covered by the Board of Cooperative Educational Services.

Rural America is increasingly a part of a national society in which we share common goals and many common attitudes. Yet there is also a difference. The dispersion of geography and distance creates conditions in rural America that are different from those of urban areas. The systems and institutions we create in rural communities need to be designed to the scale of the numbers they serve and they must be mutually supportive of each other so that each strengthens the other.

Rural people are sometimes pictured as provincial, and indeed one of our limitations is that we have sometimes attempted to nestle into comfortable isolation. But, in another sense, rural people are also more global in their perceptions. They see and understand the interrelationships of people and institutions in ways that sometimes escape those who are involved with larger and more sophisticated systems.

Our challenge is to break through isolation without destroying independence, to enhance the rural quality of life without destroying its freshness, and to develop a public policy that recognizes rural America as a co-equal branch of the national mainstream which, while different, is equally important to any other in its needs, its aspirations, and its potential.

State Role in Rural Development Policy: Southern Region

Harry W. Miley, Jr.
Senior Executive Assistant for Economic Development
South Carolina Governor's Office

When I think of the state's role in rural economic development, my first reaction and what I want to say is, "Get out of the way." I am not sure the state should have a role in rural development policy. I work for a Republican governor who is very pro-business and pro-private sector and thinks the private sector does a good job of efficiently allocating resources, making decisions, making contracts, cutting deals, and producing things. As a matter of fact, the governor hosted a former Secretaries of Defense Forum last week in Charleston. When former Secretary of Defense Bob McNamara was asked to give a capsule of the difference between the Soviet Union's economy and ours, he said, "Well, our system is chaos at the top. That is our political structure. Our political decisionmaking at the top is chaos but at the bottom our economy is very efficient. The private sector individuals can make individual contracts and the system works very efficiently. It is just the opposite in the Soviet Union, where there is extreme order at the top and total chaos at the bottom." So from a Republican governor's office, we think that the private sector and private industry can make those decisions better than we can. Secondly, as an economist, I am also a private-sector person and think the state can have a role in some things. The private sector seems to make decisions and allocate resources a little better than government, however. I have not seen too many places where government does a better job than the private sector, but I also realize that it is a little bit simplistic and unrealistic considering the situation that exists not only in my state and the rural areas but also throughout the country.

The state can assist communities in identifying and developing local leadership. Every analysis that I have seen, regardless of the area, cites local leadership and local initiative as the common thread that runs throughout successful areas.

I do want to cover a few areas that are what I perceive to be the major roles of the state in rural policy. The first thing the state needs to do is get its own act together in terms of a comprehensive economic development policy. Part of that policy is a rural policy, but it cannot be only a rural policy, just as you cannot have only an urban policy or a manufacturing policy or a labor force policy. It has to be a comprehensive, long-run strategic plan. Until the state does that, then a comprehensive plan is the first state role. If that is not done, then the failure to develop a plan puts not only the rural areas at a disadvantage but also the entire state. South Carolina is within three or four weeks of finishing a strategic plan that will identify goals, objectives, and an implementation strategy to achieve those goals.

A second role I see for the states is encouraging local communities to build to capacity to support and encourage economic development. How do we do that? We have some ideas in South Carolina, but they may not be appropriate for everybody. The state can assist communities in identifying and developing local leadership. Every analysis that I have seen, regardless of the area, cites local leadership and local initiative as the common thread that runs throughout successful areas. It is the key ingredient. We cannot push on a string. We cannot make the locals do that, but we can help. We can lead the way and provide assistance in developing local leadership. We can assist the local area in defining its own development goals and help the people develop their own strategic plans. Strategic planning does not come easily; it is not something that is intuitive to everyone. The state has a responsibility to assist local areas in developing those plans and, when appropriate, help them in implementing those goals. We are doing this is South Carolina. We are in the process of setting up a rural development economic center at the state level through a very active Agricultural Extension Service. We are trying to work more closely with them through our state development board and through other state agencies. It is a vast resource that a lot of people at the state government level perceive as an asset just for the agricultural community, but we see it as a great asset for all the rural areas of the state.

A third role I see for the state is creating and maintaining a competitive business climate for the entire state. I do not care how you define business climate. Different people define it different ways. I do not pretend that there is one sure measure of business climate, but it obviously has components of a competitive tax atmosphere, a stable political system, and a stable and reasonable regulatory system. However you define it, it needs to be competitive at the state level or the rural areas will be at a greater disadvantage than they already are. That comes from leadership at the top, from the governor and the legislature. Business climate changes; it is an evolving thing. Even if you cannot put your hands on it, you know that it is not a static situation. You have to monitor it and continually keep it at a high priority to keep your state competitive. I will not get into the obvious differences in a climate that may favor one geographical area over the other or urban over rural. The bottom line is: If your state in general is not competitive, everyone is going to suffer. The rural areas are certainly going to suffer, perhaps even more than the urban areas. A competitive business climate has to address existing industry, new industry, traditional commerce, new developing commerce, and agricultural as well as traditional manufacturing industries.

Another role concerns the ability of the state to make a discretionary choice to allocate or direct some of the state's resources to rural areas. There are a few selective resources that the state spends on certain types of items and infrastructures that are controlled at the state level. South Carolina has done it with several prisons. There are some good reasons to put prisons in isolated areas to begin with, but from an economic development perspective, we think that directing some of those activities and facilities to less developed areas kills two birds with one stone. It helps the depressed area and satisfies some of the criteria for the site of a prison. One of the things that I am a firm believer in is that the state can provide some opportunities for the local areas. While you cannot make the local area take advantage of those opportunities, you can create an appropriate climate and provide a stable foundation for those opportunities to exist. The state must provide an adequate infrastructure or, in some instances, provide assistance to the rural area (i.e., state grants, state subsidized loans, state financing for infrastructure) and let the local community provide its own infrastructure. One of the pieces of legislation that the governor of South Carolina introduced last year was an infrastructure bank bill. We have created the authority in South Carolina to assist rural communities in tapping a low-rate bond market and low fixed cost in financing some of their own infrastructure. The state does not have the resources as the federal government did years ago to make wholesale grants for infrastructure. The governor feels that you should pay for what you get, but in some distressed areas we can assist in lowering that cost as much as possible.

> **Infrastructure is beyond water and sewer systems; it is much broader than just roads. Some major piece of that infrastructure is education, and we argue that it is the entire educational system that is important, not just kindergarten through twelfth grade.**

I am a firm believer in cooperation. An example of that has occurred in South Carolina. About 60 to 65 percent of our legislature is Democrat. We have a Republican governor who is the second Republican governor in the last 100 years. Obviously everybody is not great friends. Nonetheless, the governor introduced five pieces of legislation last year for economic development. Four of them passed unanimously, and we ran out of time in the session for the fifth one. We have an attitude in South Carolina that economic development is above partisan politics, and that was demonstrated.

We also feel very strongly that infrastructure is beyond water and sewer systems; it is much broader than just roads. Some major piece of that infrastructure is education, and we argue that it is the entire educational system that is important, not just kindergarten through twelfth grade. Many states, South Carolina included, have taken tremendous steps in improving that K through 12 system, but it goes beyond that. There is need for flexibility within the K through 12 system to take into account the differences between the rural and urban communities. We have a rapidly changing economy, and the K through 12 system has to be flexible. In addition, we have to have a technical training system that fits in with that system. There is a great need in South Carolina for technically skilled, literate workers. In fact, we may have created our own problem. We have done such a good job of encouraging existing business and new industry to come into the state that in certain areas of the state we have borderline severe labor shortages. That is a nice problem to have, but it may backfire if we are so successful in attracting industry that we end up disappointing them by not being able to deliver the labor they expect.

> **Something that we take a great deal of interest in is allocating more resources toward adult illiteracy. South Carolina has about 20 percent of its work force with less than a ninth grade education.**

Last year I worked closely with the Southern Technology Council in the area of technology transfer and saw the opportunities and barriers that exist in technology transfer in the Southeast and the nation. In the rural areas, these opportunities are immense. We have to address the technology transfer needs of the small and medium-sized manufacturing facilities in those rural areas. Bob Henderson of our Research Authority defines high-tech industry as one that will be here in five years. I think that is probably stretching it a little bit, but the concept is not far off. Higher education is, of course, part of that infrastructure. Something that we take a great deal of interest in is allocating more resources toward adult illiteracy. South Carolina has about 20 percent of its work force -- not of the unemployed or of those receiving Aid to Families with Dependent Children -- with less than a ninth grade education. As our economy rapidly changes and as technology is introduced, those skill levels are going to go right through the roof if we encourage industries to become competitive and maintain that competitiveness. And we have 20 percent of our work force that is not trainable. They not only do not have the new skills that are necessary, but they also do not have the basic skills to be trained in a training school. So we have taken steps in that direction, just as other states have in the Southeast. We cannot ignore the 20 percent that are reading at an eighth grade level or below.

In South Carolina we believe firmly that the key to a rural development policy is a partnership between federal, state, and local government. We also feel strongly that the partnership has to be between the public sector and the private sector in both urban and rural communities.

State Role in Rural Development Policy: Western Region

The Honorable Dan Hauser
Assemblyman, California State Legislature

No matter what additional programs may come down from the federal government, the state's role will continue to be one that is critical and one principally of implementation. In his opening address at this conference, Governor Andres suggested among other things a restructuring of the community development block grant program. That is a program that has been around for some time but has in many cases been somewhat inefficiently run. In California, the community development block grant program has been administered by the Department of Housing and Community Development, a state agency with a principal role for construction of low- and moderate-income housing. Back in the good old days when I was in local government, we had a tremendous dilemma whenever we went to apply for a grant through the community development block grant program. We always had to decide what kind of grant we would apply for that year. For the most part, we knew that the agency was certainly prone to housing, but occasionally someone would point out that there should be some money in the program for economic development. If you guessed right in the right year, you might get an economic development grant. For the most part, however, submission of an economic development grant was a waste of time because virtually all of the money was going to housing. Under the current administration in Sacramento, we had a little better shot at economic development monies, but we felt strongly that some changes had to be made in the law. So last year I carried legislation that finally passed after a lot of negotiation. It puts the economic development set-aside under the Department of Commerce, an agency that hopefully thinks a little bit about jobs. More importantly, the legislation provides for a 10 percent technical assistance portion to the grant recipients to get that expertise out into the communities.

> **If you threaten the urban centers by threatening to take away money or priorities, you are going to lose. If you point out that what you are really doing is helping the entire state and helping rural communities to help themselves, then you can be successful.**

What else can be done at the state level? On their own initiative states can provide for rural economic development. About four years ago our governor made his first trip around the rural portions of the state and saw that the sawmills were closing and the farms were facing foreclosure. He came back to Sacramento and said, "There is a problem out there and we have to do something about it, so we are going to have a Rural Renaissance." We jumped on the idea, and I carried legislation dealing with the Rural Renaissance. We wound up having to compete not only with the legislative process but also with the administration. The governor and I happen to be of different parties, and the governor does not like legislators of the other party carrying important legislation. The Rural Renaissance in California does recognize that there are significant problems in the rural areas. What we were able to negotiate was a program of grants and loans to local communities for construction of infrastructure directly tied to the creation of new jobs. This year we modified it a little bit by allowing the panel that makes the decision on those grants and loans to have a little bit of flexibility to be somewhat speculative. If they seriously think that the construction of a water line, sewer line or street will bring in new jobs, then they do not have to have the exact firm tied down, but they have to be very close to having the firm. That was supposed to have been a multi-million dollar program -- $37 million. In our legislative process, however, that figure was whacked down to about $10 million and further slashed the first year to about $7.5

million. Each year we go through the battle of trying to get any funding into the Rural Renaissance Program. Thus far it has been about a $20 million program and that is in a state that has a $44 billion budget. So you can see the priorities that are set on rural areas by the legislature.

What I really want to discuss is the politics that will be involved in rural development in any of your states. Even though many of your states have a larger percentage of rural population than California, in every case that rural population is less than 50 percent. That clearly means that your legislative domination or at least legislative majority is going to come from the urban areas. Now granted, as I say, California has a lower percentage, but there are still more than two million people in California who live in rural settings. In some of those areas, economic development is not the most critical issue; growth control is. Many of those rural counties find themselves adjacent to or within what some people think is commuting distance to the job base in Los Angeles or Orange. Not too many years ago, Riverside County would have been considered a very rural community. Today, because of the cost of housing, there has been a tremendous boom in Riverside County and a tremendous population growth with a lot of people spending a couple of hours each way every day commuting to those wonderful jobs in Orange County. Those growth counties have a different set of circumstances than counties like Del Mar County on the northwest coast. It is as isolated as any county in the state. To seek an economic solution to their isolation and dependence on a single-industry economy (timber), Del Mar actively recruited and secured a major maximum security state prison. That is their economic development. Things have to be pretty desperate when you are out recruiting prisons. We do have counties in California that are recruiting to try to get prisons.

The primary argument we used was that urban counties subsidize rural counties, particularly through social programs. That subsidy aspect was one we used as leverage and as an arguing point.

I need to stress one additional point. Urban legislators are going to dominate any rural economic development program within your state. In our experience, especially regarding the Rural Renaissance, there were tremendous trade-offs because of that urban domination, trade-offs to get the votes and to get the legislation through the process. In our state, any legislation that has money within it requires a two-thirds vote of both houses. That is a tough task, especially when roughly one-third of the legislature comes from Los Angeles County. Those legislators, while potentially sympathetic to our concerns, are certainly much more sympathetic to their own districts. If they perceive that something you are doing to increase rural opportunities is going to take away from their district, you are going to have a tough fight. The primary argument we used was that urban counties subsidize rural counties, particularly through social programs. In California the education system is virtually fully funded by the state of California with very little local funding involved. Because of the economies in rural districts, the wealthy urban counties have to subsidize in great part that rural education. It certainly has to subsidize health care, the Aid to Families With Dependent Children program, and all of the other state social services. So that subsidy aspect was certainly one that we used as leverage and as an arguing point. We also had to give in many times just to get the necessary vote. The chairman of one of the key committees happens to represent Monterey County, which is where Carmel is located. Carmel is Clint Eastwood's hometown and for the most part is not very rural. It is a big city and very prosperous. The county is also very prosperous, but it is the home of the committee chairman. He decided that there was a little bit of countryside in the east part of that county that looked rural to him, so it was included in the bill. We also needed the vote of a legislator from Riverside County, which as I mentioned earlier is one of the fastest growing boom counties in the state. The legislator from there decided the eastern half of Riverside was rural, so they are eligible under the program. We almost had Los Angeles County because they pointed out that there is some vacant land there, too. We were able to resist that one. That is what I am saying. There will be a lot of trade-offs. The bottom line is: If you threaten the urban centers by threatening to take away money or priorities, you are going to lose. If you point out to the urban centers and their representatives that what you are really doing is helping the entire state and helping rural communities to help themselves, then you can be successful.

The state role is a key one of implementation and coordination. I strongly suggest that we not wait for the federal government to act. Take ideas from this conference back to your own state legislators and put them in place. Those ideas can be expanded if there is additional federal money, but having the program already set up will make it much easier to finally put it all together.

Local Role in Rural Development Policy: North Central Region

Kaye Braaten, County Commissioner
Richland County, Barney, ND

While listening to one of the previous speakers, I was once again aware that yet another area of the partnership between federal, state and local governments is deteriorating. By this I mean that much of the responsibility is shifting to the local government. I do agree, however, that unless the local citizens support rural development, no amount of federal or state dollars will result in a success story.

When I was asked to speak here today, I asked for information about the subject from several people that I respect. I received lots of information but later realized that it is only a small amount of the worthwhile, well-done research on the status of rural America today and the vision of what rural America might be for the next generation. The reality is that technology is once again ahead of the humans who use it. The first objective stated in the flier describing this workshop is to identify the most critical rural development policy issues and options. Research papers show that this nation's elected officials, beginning at the local level and continuing all the way to the White House, know what the most critical rural development policy issues are, and we all know the options. What we must do now is move past that point and begin to address the other objectives listed in the flier. We must begin at the local level to inform and educate the rural leaders and the public about these issues, options and consequences and to prioritize the most effective applications to each rural community. To do that we might need to start speaking in plain, straight language.

The next workshop objective says that we must reduce fragmentation, increase communication and begin building a consensus between and within levels of government and with others working in rural development. What this statement really says is this: We in this nation, including those of us who live in rural America and are part of that governing system, must begin talking to each other. We have to quit spending so much time fighting each other. We have to stop defending our own turfs. We have to realize that we are all suppose to be on the same team. If we don't realize that, we are going to end up out of the playoffs for deciding the future of our own counties and our own hometowns.

We in local government have to have the courage to start telling our citizens the reality of reduced revenue, that there are only so many ways we can slice up the same size pie. We have to say that Uncle Sam cannot come bail us out because we are Uncle Sam.

We in local government have to have the courage to start telling our citizens the reality of reduced revenue, that there are only so many ways we can slice up the same size pie. We have to say that Uncle Sam cannot come bail us out because *we* are Uncle Sam. We have to stop trying to improve on the past by rewriting and reliving those nostalgic good old days and focus intensely on our responsibility as elected officials and as individual citizens in rural America. It is time for all of us working together to decide what kind of place our great-grandchildren get to have as a hometown, as a school, as a county. That is an awesome responsibility, and we need to stop avoiding making those decisions, no matter how burdensome some of them are. Once we decide what kind of life we want to have as rural Americans, what kind of rural America we want to be, we have to hold fast to that vision and carry that message to Congress. Our challenge here is to help bureaucracy move from the stage of discovering a problem exists to translating information into action of some kind.

It is the responsibility of local governments--be it city councils, county commissions or school boards--to work with the Extension Service to educate and inform not only the general public but also other elected and appointed officials of our local governments. Technology enables us to study issues with a thoroughness and a speed that leaves us, the people who use technology, so overwhelmed that we become paralyzed and unable to move. When report after report shows a serious deterioration in our rural infrastructure, we cannot seem to take the needed action. We fail to take that information, with hard facts and figures, to our citizens and seek their assistance in finding new solutions, not simply rewording old solutions that did not work. Instead, we are more comfortable forming one more committee to study the situation. If we keep reinventing the wheel, we will never draft a national rural policy to guide us. We will continue to react to crisis rather than act. Yet, if we are to survive as a strong rural America, a rural America that contributes to this nation's strength rather than remaining as a permanent item on the national fix-it list, we must become decisionmakers rather than decision-avoiders. We are responsible as citizens to reduce that long national fix-it list, and we cannot do that if we expend our time, resources and energies in reinventing the wheel, in improving the past. Bureaucracy too frequently is a system that studies a problem, holds symposiums on the symptoms of that problem, reviews all it knows and all it discovers, and then thinks something has been changed.

There is something in us that seems to love committees and task forces. When the reality of this summer's drought hit, we reacted by forming committees of all kinds and at all levels of government. For many reasons, however, we were able to move from the study phase to the action phase in record time. Congress passed a drought-assistance bill. The President signed it. Now time will reveal any inadequacies of that bill. I can promise you that we in rural America will rewrite that bill in small town cafes all winter, but we witnessed as a nation that this country's system of government, beginning at the local level and reaching all the way to President Reagan's desk, can indeed move with speed. Technology and bureaucracy, elected officials and the public, moved in tandem toward a definable, achievable, short-term goal -- the drafting and passage of drought-relief legislation. That, I submit, is what must happen here. A national rural policy must be created and this workshop is one step in a long journey. While some say we need a new national rural policy, I am unsure that we have ever developed any real rural policy as a nation. History seems to show that rural America has more often been a political football in a basketball game. The result has been one of general confusion and much milling about in circles and loops since it is very hard to figure out what the goal is when everyone is not playing the same game.

While some say we need a new national rural policy, I am unsure that we have ever developed any real rural policy as a nation. History seems to show that rural America has more often been a political football in a basketball game.

During the recent years of the agricultural recession, the notion of a healthy farm economy guaranteeing a healthy rural America -- complete with thriving rural communities -- was stated as the gospel truth. To question that statement was to sound disloyal. A paper appearing in *Rural Development Perspectives*, a USDA publication, reveals that such a concept might be more myth than fact, more dream than achievable goal, more wishful thinking than possible reality. The paper is entitled "What's Ahead for Farm Areas Specializing in Export Crops?" and provides information demonstrating that while nationwide farming generates 80 direct agribusiness jobs for every 100 farm production workers, many of those jobs are located far from the farm gate. In fact, only 54 of those 89 jobs are located in nonmetro areas.

The promotion of commodity exports was presented as part of the solution to both the social ills of rural America and the economic distress. The reality is that of those 89 jobs generated off the farm by agriculture, only 26 are generated in farm export counties. The area hit hardest by the agricultural hard times consists of areas designated as farm export counties. Those counties are home to grain farms, farms that must rely on being part of the global grain market to achieve profits. Those profits are important to the overall economy of that area and this nation. Thus, an agricultural policy that helps promote exports is important. That policy, however, will not solve the problems of rural America. A decrease in exports will hurt us, but let's not assume that an economically strong agriculture will solve all the ills of rural America. That assumption distracts us from facing the realities we must face. Local governments could begin by becoming more informed about the relationship of agricultural policies and rural America.

The major rural development problem cited for the North Central Region is leadership. While an improved farm economy might slow the outmigration of our young from rural America, it cannot completely solve the leadership issue. We need to develop leaders who have the courage to deal with reality, to know what is possible, and to know what can be improved and what cannot be done. Then those leaders must fight to make those possible changes happen, even if being a good leader makes them unpopular and unelectable the next time at the voting booth.

We need to develop leaders who are not trapped by the longing to restore a rural America that is gone and who are willing to shape the rural America we want to become. We need leaders who are more interested in leading than in being popular. And we need leaders with enormous reserves of energy and enthusiasm because the reality is that this region has never been overpopulated in our rural counties. Our leaders are called upon to carry very heavy loads and they need support teams in order to help the citizens of their counties to start shaping their destinies as they work to coordinate and cooperate with other governmental agencies. I have a strong belief that people are capable of doing just that. I believe that when we as elected officials take the time to present the public with the documented facts and do so in an orderly manner, they will respond positively.

Economic development is one ready suggestion offered by many to boost the county's economy. I am suggesting, however, that we need to avoid the simple, quick solutions. There are rural counties in this nation that may lack the kind of environment required for economic development.

Voters in Richland County (ND) provided an example of just such a positive response last June during the primary election. We did a two-year road and bridge study in cooperation with the state highway department and educated the public. We asked them to completely change our farm-to-market road mill levy and raise their taxes by five mills. In the middle of the drought, this goal was achieved. This is an example of how all of us -- leaders and citizens -- worked together to write a plan for our own future.

There are school districts that are working together in a similar fashion. In a large block of counties in Western Minnesota, school districts have bonded together to form an educational district. This is an example of school districts combining their efforts to provide educational opportunities that are beyond the reach of an individual school district due to financial restrictions and various other limitations. The Richland County road and bridge plan is another example of citizens confronting the reality of limited funds to achieve desired goals. Counties and school districts cannot operate with budget deficits. Expenditures must match revenue. In rural America that reality is requiring all of us to adjust to reduced expectations. For Richland County residents, that meant accepting the fact that some farms would never have a hard-surfaced road at the end of the driveway, even when that farm family had been told 20 years ago that the gravel road eventually would be black-topped.

A county commission has few options to consider when told that the revenue to meet budget needs is just not there. Many of our expenditures are mandated by the federal or state government without accompanying revenue to cover all the cost. We cannot reduce those mandated expenditures. We heard the previous speaker talk about counties taxing for economic development. We at the county level are having to add on mills for just the basic needs of our counties. It's not that I don't consider economic development a basic need, but we have now reached the level of taxation that the market will bear -- and that level is whether or not Kaye Braaten can get re-elected!

Economic development is one ready suggestion offered by many to boost the county's economy. The improved economy will result in an improved tax base. I would never fault that concept. Still, it is a concept that carries with it the assumption that every rural county in this nation can attract new businesses and expand businesses already in place. I am not sure if this is true, but I am not saying it is false. I am suggesting, however, that we need to avoid the simple, quick solutions. There are rural counties in this nation that may lack the kind of environment required for economic development.

In counties where economic development is feasible, county governments should begin taking a visible leadership role. We must be involved long before the ribbon cutting at a new plant. We need to work with those trying to attract new businesses. We need to be active supporters of the businesses already in place and become keenly aware of the business climate in our counties. Every failed business in any community weakens the economic foundation of that county. We need to applaud the successes and encourage the beginners. Sometimes that encouragement must continue for a long time before the business becomes a reality.

One of the major employers in Richland County, Minn-Dak Farmers' Cooperative, is an example of just such a community effort. It took the combined forces of farmers, community leaders, private businesses and interested citizens more than 20 years to succeed in making one dream become reality. That dream was for farmers to have the choice of raising sugar beets as another cash crop in a five- to six-county two-state area, including my home county. That dream included the building and operation of a plant to process those sugar beets into sugar and by-products. Today that plant is a major employer in our area, and the economy benefits by its presence. The community benefits from the leadership of the employees who have become strong community participants and boosters. In addition, our tax base has broadened.

We must use the past as a guideline, not as a place to dwell. We must communicate in a strong, clear fashion and we all must work together.

Not content with this success, those connected to this cooperative continue to explore new ways to expand products and the marketing of those products. There is no way this plant will relocate in another community. It is an example of growing your own economic success story. The top management at that plant has a reputation for concentrating on today's goals while formulating tomorrow's. They use the past as a guideline, not as a dwelling place. They also have the reputation for being straight shooters, for telling it like it is. Management tells the employees the truth. The board tells its fellow farmer cooperative members the truth, and they do it in straight no-nonsense language backed up with facts and figures. I know because I have worked closely with Minn-Dak as a county commissioner.

I want to close by saying that Minn-Dak's success provides us with a strong message on what our local role must be as county commissioners in drafting and implementing a national rural policy. We must use the past as a guideline, not as a place to dwell. We must communicate in a strong, clear fashion and we all must work together. What we must be is a government of the people, for the people, and by the people -- and that commitment starts with you and me.

Local Role in Rural Development Policy: Southern Region

The Honorable Gerald Thompson
Mayor of Fitzgerald, Georgia

My community is somewhat of a case study in rural development. Fitzgerald was settled in 1896 and did very well for a long time. Then 25 to 30 years ago it went into a serious decline. When I became interested in rural development, Fitzgerald had three major industries: agriculture, a cotton mill, and a railroad shop. The cotton mill had the general sickness that all cotton mills had 20 years ago before they went out of business. The railroad shop had the same problem that other railroad shops did, and that was the consolidation of railroads and facilities. They consolidated the Seaboard and the Atlantic Coast Lines and moved the shop facility to Waycross, Georgia. So I got together a number of my friends and we decided to do one of two things: leave or get some rural development started. We chose the latter and got a group together that was committed to rural development. To me, a practitioner, rural development really means rural economic development.

There is a common thread that runs through everything that has been said here today, and that common thread is enlightened leadership. All of these other things can be added if you have enlightened leadership. Remember I told you that I got together a group of community people. No one person can do it alone. Fitzgerald is a town of about 12,000 to 15,000 people; a county of about 20,000; and a trade and job center for about 40,000. We have located 37 industries in the town in the last 20 years and built four shopping centers, two industrial parks, one airport, a high school, two elementary schools, a large public library, a civic auditorium, two jails, 150 commercial establishments, two banks, a vo-tech school complex, and on and on. But we have been the exception rather than the rule in rural development in South Georgia. We do not have an interstate highway or even a four-lane highway coming into or going out of Fitzgerald, but we have developed enlightened leadership and a group of people who are willing to sacrifice. Now there is one of the problems. Not enough people are willing to run for public office because they have to put up with a bunch of foolishness to be a public official nowadays, particularly in a small community. In Atlanta you can isolate yourself like Andrew Young. His plane lands and his limousine picks him up before he gets into the station, but in rural communities everybody sees you walking down the street to the office. They stop you and talk; sometimes they get mad and rude. But we must have folks who are willing to sacrifice and run for public office.

There is a common thread that runs through everything that has been said here today, and that common thread is enlightened leadership. All of these other things can be added if you have enlightened leadership.

You can be a part of a leadership team and not be the chief executive, but the chief executive has to be a part of that team. Without him, you cannot do a lot of things that you can do with him. You must have someone with the ability to lead in that group, someone that can get the community to accept change. All of us have a tendency to want things to stay the same. The other day I had to close one block of Johnston Street so the shopping center could extend across it. I thought I was going to get lynched. Community residents did not use the street but they wanted that street anyway. It had been their street for 75 years, and they did not want to change. Probably not more than 25 cars a day went over that street. It was just resistance to change, but we must have change. Nothing is constant except change.

In addition to enlightened leadership, a town must have some folks with a positive attitude about the community in order to develop it. I am reminded of the man and the lady who got married and came back from the one-day honeymoon. The gentleman was a little bit negative and said, "Now honey, while we have been together I have seen a few little defects about you that I want to point out." She said, "You go right ahead because it is those defects that kept me from getting a decent husband." Don't listen to negative people. There will always be a crowd of people who will tell you that you cannot do this or that and no one has ever done it that way before. I like the old commander who said, "We are surrounded; don't let a one of them get away." That is a positive attitude. You must have the ability to identify problems and set plans and goals. That is important. Once a year in my community I get all the leadership -- medical, school, industrial, community -- together for a weekend and say, "What do we want our community to be?" We sit down and decide, and then we amend our policies and come out with a plan. The next year we try to follow that plan. We do not always achieve it, but we come closer than if we did not have the plan. You have to make plans, set goals and objectives, and identify problems. You must know where you are going. A lady called my fire department the other day all excited because her house was on fire. She said, "My house is on fire; come quick." Then she hung up the phone. The fireman dialed her back because we always get the number. He said, "How do we get there?" She answered, "Ain't you still got them little red trucks?" So you have to know how you are going to get there -- goals, objectives, and plans.

We must develop a network of mini-urban centers to furnish jobs and capital for three or four surrounding counties. To develop this network, we must have cooperation and assistance from both state and federal government.

Enthusiasm must be a part of those plans and goals and a part of the leadership. The sting on a honey bee is one-eighth of an inch long. The rest of what you feel when he socks it to you is enthusiasm. Then we must add commitment, determination, persistence, perseverance, resolution and resourcefulness. In a small town, we really have to be resourceful because we do not have much money. We have to do the best we can with what we have here and now. If we develop this enlightened leadership that I am talking about, then we can provide that pro-business attitude in the community and the physical resources that we need with the help of the state and federal governments. The local government cannot do it alone. Some things require a joint effort, such as access to capital. A number of the previous speakers have talked about the fact that development is harder when a community is far away from an economic center. Obviously it is, and we must develop a network of mini-urban centers like Fitzgerald to furnish jobs and capital for three or four surrounding counties. All communities will not survive. Some of them need to die. To develop this network of mini-urban centers, we must have cooperation and assistance from both state and federal government.

Local Role in Rural Development Policy: Western Region

Bill Hansell, Umatilla County Commissioner
President, Association of Oregon Counties

In response to the paper on "Developing a Comprehensive Rural Policy," I will emphasize three concepts: partnership, flexibility, and delivery. When I think of partnership in this context, I am reminded of the farmer many years ago who was taking his bride home on their wedding day. As they made the trek of several miles in their buggy, the horse tripped. The farmer quietly said, "That's one." The horse tripped a second time a few miles later and the new husband said, "That's two." When the newlyweds were a mile from their new home, the horse tripped a third time and the farmer said, "That's three." Then he reached under the seat, drew out a rifle, and proceeded to shoot the horse dead.

"What in the world have you done," screamed the new bride. "That was the dumbest thing I've ever seen."

"That's one," came the reply.

All too often this is the kind of partnership that the state and federal governments impose on us at the local level. We are frequently left out of the policymaking process, program implementation, and future development considerations. When we dare to question a program, "that's one" is the typical reply. All we have to do is look back over the history of federal policy and programs on rural development, and we observe one failure after another. I contend that this failure is due to the lack of effective partnerships. Local governments must be included at each and every juncture of a rural development policy if it is to be successful. I am very pleased that the organizers of these four regional workshops realize this and have included local government participation.

Local governments must be included at each and every juncture of a rural development policy if it is to be successful.

What are the ingredients to help make this partnership effective? There needs to be communication, consideration, commitment, and competency.

- *Communication.* Oregon has a citizen legislature that meets six to eight months every other year. Those of us in local government wait with fear and trepidation not knowing what they will do to us. As they say, no one's life, liberty, or property is safe while the legislature is in session. One of the main reasons is that there is an absence of adequate communication. Local governments are not asked for their input. State and federal bureaucrats often do not seem to care what we think. It appears that our input is not perceived to be all that important or valuable. To make matters worse, some legislators seem to feel that local officials cannot be trusted. That kind of attitude will never forge an effective partnership. Only if we seek to open the communication lines, and use them, will we promote an effective partnership.

- *Consideration.* We sometimes joke about the familiar line, "Hi, I'm from the government and I'm here to help." Federal and state governments can help only when there is ample consideration of local knowledge about local conditions. A partnership for rural development policy will be effective only to the degree that local input is seriously considered.

- *Commitment.* There must be a commitment at each level--federal, state, and local--to make this partnership work. Only as we work together, committed to rural America and its needs, will effective programs be hammered out. If any member of the partnership has a condescending attitude toward the other partners, we will experience serious problems. Local, state, and federal leadership must be committed to the program and to each level of the governmental partners. Right now there are over 30 individual federal agencies implementing rural development programs. This situation makes it difficult, if not impossible, to form a commitment in an effective partnership.

- *Competency.* State and federal policymakers must realize that local government is competent. I realize in making this statement that exceptions will come to mind. Not every local official is competent just as not every state and federal official is competent. I also realize that competency is relative and no one is competent in all areas.

But my experience has taught me that the competency level of local government is at least equal to that of any human institution. The leadership is there. These elected officials have had to go before their fellow citizens and have been placed there by them. Local government has its finger on the pulse of the community. It is the most accessible level of government; and, believe me, the citizens do access it.

You may find it interesting that in Oregon the trend is to move from the state legislature to the courthouse, not the reverse. We have several former state legislators who are now elected county officials and only one state legislator who previously served as a county commissioner. I can speak with authority that in my state the competency level of local officials is very high, and I'm sure that is true in other states as well. If the state and federal policymakers will recognize this fact and make use of it, a strong partnership will ensue. The partnership of which I speak will be strong and effective if the components of communication, consideration, commitment, and competency are present. If a partnership with local government is not developed, I can almost guarantee that any rural development program will fail.

Secondly, I would propose that there must be flexibility. As has been correctly pointed out, rural America is a very, very diverse kettle of fish. The problems are not uniform. As Dr. Pulver stated in his presentation, "Rural development policy must be sufficiently flexible to treat problems as they exist, where they exist." Of the 3,106 counties in this country, more than 2,400 are nonmetropolitan in character and 702 of them are totally dependent on agriculture. Even though the economic base of most local governments is the property tax base, there is a tremendous amount of economic diversity within and among the rural regions of the country.

Of the 3,106 counties in this country, more than 2,400 are nonmetropolitan in character and 702 of them are totally dependent on agriculture.

In my home state there are 36 counties. With the exception of one, all are basically rural. Each county would have one or two major incorporated areas, but outside those communities are vast expanses of rural acres and rural communities. Oregon's diversity is truly amazing. From the highly productive truck farms of the Willamette Valley (which, by the way, was the terminus of the Oregon Trail) to the grain production lands of the Columbia River Basin, to the dairy region of the coastal grasslands, to the cattle and sheep production of the high desert plateaus, Oregon is diverse. If we were in the process of creating a rural development policy just for Oregon, it would have to be flexible. You could not do it if you tried to create programs out of the same cookie cutter.

That problem is greatly compounded when you move to the national level. I am a member of the Agriculture and Rural Affairs Committee for the National Association of Counties. We have local officials on that committee from all over our great land. Because of our diversity I sometimes feel the committee members are about as together as "hogs on ice." It comes with the territory. Rural America is diverse and an effective rural development policy must recognize this. There has to be built into the policy adequate flexibility to accommodate local variation. Sometimes this is the most difficult request asked of state and federal agencies. It is much easier to have one size that fits all. That way you do not have to think as much. Everything tends to be cut and dried. Nothing will shoot the horse in the head quicker than to create a program where local needs, demographics, and trends are all lumped together in some kind of national average. Basing everything on national average will only produce an average program at best. If, as I stated earlier, an effective partnership can be formed, then flexibility will strengthen the program. To have the capacity to adjust, modify, or implement certain aspects of a policy is vital. Individual county needs are so different and diverse that success will not be possible without significant impact, leadership, and direction from local officials.

The third and final concept I want to emphasize in my response is that of delivery. After we form a partnership and have a program that can be adapted to local goals and to objectives based on local need, then we can begin to deliver. This is the point at which local government can be of tremendous help. Not all county governments have the capability to deliver, but the vast majority can and will if given the chance. You can have the very best rural development policy ever developed, but if the delivery of that policy is faulty, then the program will fail.

In most cases I have no problem with local governments being asked to deliver the program IF--and only if--these state or congressional mandates are accompanied by adequate funding. We can do a superior job, but we need sufficient resources.

I am not suggesting that state and federal government be excluded from implementation or delivery of a rural development policy. All levels need to be included, but it is the local governments that have the grassroots connections in rural America. If local government is excluded from or given very little part in the delivery of a rural development program, it may prove to be a fatal shot. Local governments can speak for the rural areas in ways that no other entity can. We are located in rural America. We are the first level of government and know best the needs and problems of our areas. Let us be a part of the delivery system wherever possible. The federal government must realize the necessity for local government to be involved in federal policymaking and must constructively support and help finance rural development policies and programs.

Sound public policy will occur if a strong viable partnership with local government is built, if a flexible program is developed with the capability to adjust to diverse needs, and if local governments are actively involved in the delivery system of that policy.

Neither federal nor state governments can afford further declines in rural America. This country was built on agriculture, and its rural communities will continue to be vital to the American way of life. Sound public policy will occur if a strong viable partnership with local government is built, if a flexible program is developed with the capability to adjust to diverse needs, and if local governments are actively involved in the delivery system of that policy. Working together we can help rural America and the citizens who live there. Too much is at stake to do any less.

Toward a Comprehensive Rural Development Policy

Ronald D. Knutson, Texas A&M University
Glen C. Pulver, University of Wisconsin
Kenneth P. Wilkinson, Pennsylvania State University

Rural development involves public and/or private initiatives to more effectively utilize and employ resources for the betterment of the rural community and its residents. This series of articles has explained alternative rural development policy initiatives to facilitate effective utilization and employment of resources. The emphasis has been on federal policy initiatives because of the role that the federal government can play in removing inequities, realizing economies of size where they exist, paying for program benefits realized by society in general (as opposed to state or local benefits), providing policy leadership, and coordinating rural development programs. This emphasis is not meant to minimize the key role that state and local governments play in developing, mobilizing, implementing, and financing rural initiatives. Instead, the discussion has been designed to identify major problem areas that remain after state and local government initiatives have been considered and to suggest ways that the federal government can play a part in removing road blocks to progress.

Over the past three decades many rural economies have tended to decline regardless of the level of farm income. This does not mean that agriculture is unimportant. It does mean that rural development policy is much broader than agricultural policy.

Conclusions Reached

These papers have drawn a number of important general conclusions regarding the process of rural development and the beneficiaries of the development process. They have also revealed some important myths. Some of the major conclusions include the following:

- Rural development is broader than just agriculture. In some rural areas, farming and related input and product processing industries constitute a majority of economic activity. But in a larger number of rural areas, agriculture is a relatively small portion of employment and income generation. Over the past three decades many rural economies have tended to decline regardless of the level of farm income. This does not mean that agriculture is unimportant. It does mean that rural development policy is much broader than agricultural policy. In fact, agricultural policy is not explicitly treated in any of the papers. *This recognizes that farm policy cannot solve rural community problems.* In addition, farm policy is sufficiently complex to be treated as a separate issue.

- Rural development policy has a broader focus than the local community. Rural problems extend across the countryside and beyond, affecting entire states and regions with spillover effects on urban areas. Rural development policy, therefore, can influence economic activity, employment, and demands for social services far beyond the rural community. *These broader societal effects justify a role for the federal government.*

- Rural problems are not uniform. They have many unique local and regional dimensions. The regional planning committees for these workshops consisted of rural community leaders and academics who identified the major rural development problem as being different in each of the four regions:

- Northeast: managing change
- South: quality of rural education
- North Central: leadership
- West: public lands management.

Even within regions there are substantial differences in the nature of the problem. For example, public lands management problems in the West are interspersed with issues of public service to a sparse intermountain and Great Plains population and controlled growth in densely populated coastal regions. An important policy lesson results: *rural development policy must be sufficiently flexible to treat problems as they exist, where they exist.*

- Rural development problems, generally, are the most difficult to deal with in areas remotely located from population centers. An early study in agricultural economics by a Nobel prize winning economist found that farm incomes tend to be higher in rural areas having proximity to urban-industrial complexes. Such centers of economic growth and employment continue to provide off-farm job opportunities, support real estate values, and bolster economic activity in the surrounding community. *Rural communities not in a position to enjoy a favorable economic impact of nearby urban growth have greater difficulty coping with declines in employment and income.* The best educated rural youth have a greater propensity to move to locations having more job opportunities and higher incomes.

- Trade-offs are involved in virtually every policy and program decision. Given the constraints on budgets at every level of government, a dollar spent in one area cannot be spent in another. Issues of priorities, therefore, become critically important. Often these trade-offs involve choices between treating what is perceived to be important immediate problems versus longer-run concerns such as education. *Yet, if the longer-run concerns go untreated, permanent economic decline and/or inequities become inevitable.*

Perhaps the most difficult issue in rural development policy involves when to help a community grow versus helping a community gracefully decline with a minimum of pain.

- Every rural community must change. In the past age of smaller farms, large families, poor roads, less communication, less technology, and fewer economies of size, more rural communities were needed. To a degree, the decline in rural communities reflects the economic realities of change -- much like the decline in farm numbers, the corner grocery store, or the independent hardware store. *A basic policy choice involves whether to preserve rural communities (places) or to develop programs designed to help rural residents adjust to change.* Choosing people over places may mean expanded retraining and even relocation programs. The alternative may be to locate business in a community where it is almost certain to fail and/or require permanent subsidies. Yet the people who remain behind in declining communities cannot be abandoned. *Perhaps the most difficult issue in rural development policy involves when to help a community grow versus helping a community gracefully decline with a minimum of pain.*

Need for a Comprehensive Approach

The foregoing conclusions serve to illustrate the complexity of the rural development problem. These papers have discussed the dimensions of various federal policy alternatives for dealing with specific rural problems -- income and employment, education and retraining, poverty, health care, natural resources, and rural public services. These problems, however, beg for a comprehensive approach because tackling any one problem will not revitalize rural America. Such an approach must place emphasis on attacking problems as they are in their local, state, regional, or national dimensions.

Past federal rural development policies, while well intended, have not effectively put the pieces together. In the Johnson Administration the emphasis was placed on federal intervention to meet specific national goals. The Nixon and Ford Administrations viewed the solution to the rural development problem as raising farm income. The Rural Development Act of 1972 held substantial potential for dealing with issues such as rural planning and infrastructure development, but it suffered from a lack of follow-through in funding and support. When farm income rose, the rural development problem was considered solved. *In reality, all that changed were some of the symptoms; the cancer on rural America was still there, only to spread more rapidly and insidiously when farm income fell in the 1980s.*

In the 1980s, the responsibility for rural development was overtly shifted from the federal to the state and local levels. The federal policy became one of state and local responsibility with reduced federal leadership, support, and funding. A combination of adversities in rural America (including but not limited to the crisis on farms) led to reduced tax revenues in the face of increased demands for public services to control drugs and crime, to improve the quality of education, to clean up the water supply, and to improve the ability of rural health delivery systems to serve an aging population. This is the situation in many rural communities in the late 1980s.

Toward a Comprehensive Rural Development Strategy

The key to any effective government policy is a set of clearly defined goals. Since many public and private agencies, firms, and individuals are involved, there must be recognition of the roles and responsibilities of each. There must also be leadership for change.

Leadership

Without leadership, a continuing deterioration in rural living conditions is the most likely outcome. Both private and public sector leadership is essential to get momentum for finding solutions to rural problems.

An integral part of public sector leadership involves government programs -- local, state, or federal. In times of tight budgets, it has become popular to suggest the need for government initiatives without increased expenditures. Such a strategy is clearly not sufficient to deal with today's rural problems. As indicated previously, rural programs need to be flexible enough to deal with specific problems. Potential policy inconsistencies must be closely monitored, minimized, and/or dealt with. For example, rural retraining and education policies must recognize the potential for outmigration and economic decline. Long-run follow-through is essential: A well-conceived program for which hopes and optimism flourish only to be dashed by the lack of long-run support can do more harm than good. Rural education and health care programs particularly require long-run support.

A well-conceived program for which hopes and optimism flourish only to be dashed by the lack of long-run support can do more harm than good.

Goals

Policy implies purpose. All too often programs are established without goals being explicitly specified. The result is both little guidance for the bureaucrats charged with implementation and the absence of standards by which program performance can be judged. In the first paper in this series, four rural development policy goals were suggested:

- Make rural areas a viable economic partner for the benefit of both rural and urban residents.
- Improve the quality of services (public and private) in rural areas.
- Reduce the vulnerability of rural areas to sudden changes in technology, markets, and the overall economic environment.
- Sustain the usefulness of rural resources for the benefit of current and future generations.

Roles

These goals can be satisfied in varying degrees by local, state, regional, or federal government action. The desire is often expressed to keep government initiatives as close to the local level as possible. However, some problems cannot be effectively and efficiently solved by local or state action alone. The key is one of fitting the level of action to that required to solve problems. Jurisdiction for programs and the cost of implementing them generally rests with those who enjoy the benefits of the program.

- Local governments have traditionally had the main responsibility for providing education, infrastructure (utilities, roads, police and fire protection), health, and social services. Many local governments are also involved in activities explicitly designed to attract business and industry.

- State governments have traditionally been responsible for dealing with problems that are broader than local communities. Highways and higher education are obvious examples. States also have tended to play increasingly important roles in supporting primary and secondary education, health, and social services. This state support is crucial to providing a more uniform base of support and opportunity from which everyone benefits.

- Federal government involvement in providing solutions to rural problems has been justified in the papers on the basis of exercising leadership in solving complex regional or national problems, coordinating programs across agencies and levels of government, removing market imperfections, remedying chronic inequities, distributing the costs and benefits of development activity equitably, increasing rural productivity and competitiveness, achieving efficiencies not attainable by state and local governments, and balancing revenue-raising capacity (Table 1). Some problems simply cannot be effectively addressed without federal involvement.

Yet it is seldom necessary for the federal government to pick up the full cost of rural development. This contrasts with the farm problem which can only be effectively dealt with by the federal government because of the predominance of national and international markets. Since the benefits of rural development tend to be realized by local rural residents and by the general public, some federal-state-local sharing of the costs of rural development programs can generally be justified.

Federal Rural Development Policy Alternatives

At the federal level, rural development policy begins with creating an overall national

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Table 1. Justification for a Federal Role in Rural Development Policy by Problem Area

	Income and Employment	Education and Retraining	Resources and Environment	Rural Health Care	Poverty	Financing Rural Services
Remove Chronic Inequities		X		X	X	X
Increase Efficiency	X				X	X
Leadership in Solving Complex Regional or National Problems		X	X		X	
Coordinating Programs Across Agencies and Levels of Government	X		X		X	
Distributing Program Costs and Benefits Equitably	X	X	X	X	X	X
Balancing Revenue Raising Capacity		X			X	X
Market Imperfections			X	X		
Increase Rural Productivity and Competitiveness	X	X		X	X	

economic environment for growth in income, employment, and continuing economic vitality. Rural America cannot flourish in an environment of overall depressed economic conditions. Monetary and fiscal policy needs to be implemented in a balanced manner to yield moderate rates of interest and inflation without large deficits year after year. Concurrently, trade policy needs to be designed to open markets for U.S. products while encouraging efficient production and progressive development of new and improved products. Within such an overall favorable economic environment, rural development policy alternatives have been developed in six strategic areas that include problems sufficiently pervasive to justify consideration of an appropriate federal role.

Income and Employment Policy

Many local, state, and federal programs have been initiated to increase business activity in rural areas. These programs can realize their goals only if employed in the right mix and properly targeted. Federal income and employment policy alternatives include the following:

- Providing financial support for education and technical assistance programs that are designed to enhance production and entrepreneurial skills, management capacity, and leadership abilities. Small business entrepreneurial management and analytical skills are critical needs in rural America. Good ideas need to be fostered with sound management practices. Programs for small businesses need to focus on truly small businesses. Successful urban-oriented programs should be broadened to rural communities.

- Utilizing federal regulatory powers and direct financial assistance to support a broader range of business and industrial opportunities. Diversity of business opportunities is a source of strength. Too many rural communities are too closely tied to agriculture, mining, energy, or forestry for their economic base. Diversification is a key to economic stability.

- Providing financial support to aid communities in developing an appropriate mix of business support infrastructure. Infrastructure in the right mix is critical to development. Investments in industrial parks must be matched by investments in rural roads, bridges, and communication systems.

- Utilizing federal regulatory powers and direct financial assistance to ensure entrepreneurs access to adequate capital for starts and expansion of rural enterprises. Credit subsidies and loan guarantees have been extensively used, and perhaps overused, as the solution to all problems. Well conceived, potentially profitable ideas often attract venture and debt capital on their own. At times too much emphasis has been placed on government subsidies and loan guarantees without enough emphasis being given to providing the tools for survival.

Education and Retraining

Since the Great Depression there has been a flight of rural youth to the cities. Even today the best rural minds leave rural counties for university training, and many never return to put their training to work in rural problems. The result is a serious depletion of rural human capital. Yet, technological change requires continuously higher levels of skills. Rural residents, with typically lower levels of education, have a disadvantage in acquiring those skills. When rapid technological change is combined with reduced rates of growth in demand, major transitional adjustments are required. Federal policy alternatives include the following:

Rural Schools

- Federal policy could be used to achieve equitable funding of public education in rural areas. Community resource limitations should not be a constraint on quality education.
- Federal support for organizational change that does not involve consolidation may be justified. Further push in consolidation can be justified only on a case-by-case basis.
- Federal programs to assure that rural schools are technologically competitive are an essential component of a rural education policy. New electronic and distance learning technology is required for rural schools to be competitive.
- The federal government could assist in making needed curriculum changes. This could be accomplished through uniform testing procedures, requirements, and even rewards for superior performance.

Retraining

- Counseling could be added as a regular component of retraining programs. Research indicating severe depression in displaced farm men and women justifies consideration of counseling, particularly in rural areas.
- Training qualification requirements could be changed to provide retraining assistance while businesses are still operating, although the signs of failure are present. Reason for displacement would not be considered as a criteria for retraining.
- The federal government could pay relocation costs. Rural retraining programs often imply relocation and the burden of large moving costs. Transitory financial assistance may be essential to effective operation of retraining programs.

Eliminating Rural Poverty

The war on rural poverty was initiated over two decades ago, yet poverty conditions continue to plague many rural residents. The alternatives for tackling the poverty problem in the 1990s include the following:

- Fine tune the current poverty programs with improved coordination and adjustments to make benefits available when the principal wage-earner is unemployed. While improvements in economic poverty conditions are possible with current programs, the problems of the persistent poverty counties would continue.
- Target poverty program to specifically deal with the causes of poverty and reduce the symptoms. This requires a combination of skills development (education and retraining) concentrating on the persistently poor counties and development of business opportunities as well as social programs of income and in-kind assistance, including strengthening current programs to make them available to a broader range of the rural poor. While considerably more effective than current programs, such action would include substantial costs.
- A general comprehensive rural economic development package could be implemented to improve economic conditions for all rural residents. Such a comprehensive package would strengthen current poverty programs as well as place increased emphasis on education, skills development, retraining, jobs development, improved health delivery systems, and improved policy coordination.

Utilizing and Protecting Natural Resources

Agricultural, timber, mining, and energy resources interact in a complex manner to generate employment and income in rural America. Inherent in the efficient utilization of these resources is the protection of the resource base and environment for present and future generations. Government policy initiatives fall into the following categories:

- Increase federal investment in information and education on development potentials and constraints, provide increased economic incentives and technical assistance needed for developmental activities, increase research on projects offering development potential, and promote exports.

- Environmental goals may stifle the economic growth objectives of rural communities unless special exemptions are provided. Alternatively, financial assistance may be extended for pollution control projects in the form of block grants and technical assistance. Regulations also may be implemented in phases that take into consideration the impact on the community. In some instances, environmental goals can be satisfied by making federal investments to utilize and preserve natural conditions while developing resources for recreation or even retirement living.

- The choice in public lands management is between increased privatization and continued federal ownership with increased sensitivity to local needs.

Improving Rural Health Delivery Systems

Delivery of basic medical and nursing services is crucial to caring for an aging rural population and making rural America an attractive place to live. The alternatives for improving the rural health delivery system include the following:

- The federal share of the total health care costs could be increased. Rural health care systems would benefit from increased federal expenditures but gains would likely not be substantial relative to urban health care.

- Rural health care systems could be targeted for increased federal support. Such targeting would equalize Medicare payments for Medicare, expand eligibility Medicaid beyond AFDC, and increase the federal share of rural health care costs for programs targeted to rural areas.

- Rechannel federal funds away from counterproductive Medicare and Medicaid policies designed to avoid potential malpractice suits and toward disease prevention, health leadership training, greater reliance on more cost effective means of providing care, and provision of health care transportation.

Financing Rural Services

Economic stress has eroded the tax base of rural America. In this environment, appropriate sharing of the costs of government becomes an important issue. Government policy alternatives include the following:

- Federal/state sharing in the costs of local income redistribution programs (transfer payments) may become critical to the ability of rural governments to maintain these programs.
- Federal/state assistance can encourage local jurisdictions to make investments in services which benefit much larger areas than the locality. Federal sharing in the costs of meeting federal/state standards for water quality, solid waste disposal, or quality of education may be essential for solving these problems.

- Federal compensation aid for high-cost rural services such as education, roads, or bridges can be effective if care is taken to encourage creative governmental reorganization and delivery systems at state and local levels.
- Federal matching funds can strengthen and implement innovative state/local means of dealing with specific rural development problems.

Requirements for Change

If substantive steps are going to be made in the direction of a comprehensive rural development policy, there must be:

- Education and leadership
- Consensus and unity on required actions
- Coordination of policies and programs

Education and Leadership

The rural public generally lacks an understanding of what is required to achieve rural economic recovery. A broad-based educational program that includes leadership identification and training will be essential to developing a consensus on even the need for a more comprehensive approach.

Consensus and Unity of Action

One of the critically important lessons from this project involves the tremendous fragmentation that exists in dealing with rural issues. Many special interest groups are involved in lobbying for rural development programs, sometimes exclusively for single programs in a single agency. Often there is little appreciation for the role of individual organizations or individual programs in solving the broader rural development problem. Competitiveness among interest groups for what frequently is viewed as a rural development pie of a given size takes priority over adjusting the mix of programs by jointly lobbying to expand the size of the pie. If a consensus exists on what ought to be done, it has not been revealed either in the lobbying activities of organizations or in the actions of policymakers.

Competitiveness among interest groups for what frequently is viewed as a rural development pie of a given size takes priority over adjusting the mix of programs by jointly lobbying to expand the size of the pie.

Eliminating this fragmentation requires private sector initiatives that are beyond the scope of this paper. However, it is interesting to observe that the farm lobby is far more effective at achieving its legislative goals than the rural development lobby -- even though the constituency involves many of the same people. Until rural development interest groups find means of reaching a consensus position on needed policy initiatives, little progress is likely to be made in dealing with rural development problems. If such a means were found, the rural development lobby could be stronger than the farm lobby because of the number of constituents and the key positions held by their elected and appointed policymakers.

Coordination of Policies and Programs

Fragmentation is at least as pervasive in the public action as in the private sector. In fact, private sector fragmentation fosters public sector fragmentation as each interest group wants its programs and agencies that it controls. In the federal government alone, there are over 30 individual agencies involved in implementing rural development programs. Coordination across these programs is inadequate -- even among agencies within a given cabinet secretary's jurisdiction. In fact, vertical coordination among levels of government (federal, state, and local) may be more effective than coordination across government agencies because of funding or regulatory responsibilities.

Alternative means of coordinating rural development policy within the executive branch of government include the following:

- **Lead agency** designation establishes one department as the leader in rural development policy. USDA currently has this designation. The lead agency concept works only if the process is strongly supported by the President and other top officials of the executive branch and the Congress. Rural development problems may be too broad for effective utilization of a lead agency.

- **Cabinet councils** comprised of department or agency heads can coordinate policies across agencies and departments of the executive branch and operate as a committee on rural development policy. Such councils can be a useful part of the communication and policy-making process, although past rural development councils have not proven to be very effective in either developing or implementing policy.

- **Special assistant to the President** involves the designation of one individual in the Executive Office of the President as being in charge of rural development policy. A special assistant is, in essence, a super cabinet officer. The role of this individual is largely one of coordination of policy and programs among agencies. In the process, some of the power of the cabinet officers and agency heads is eroded. Yet, special assistants, such as the Special Trade Representative, have proven useful and effective when the "right" person is in the position and is supported by the President.

- **New rural development department** involves the creation of a new executive agency charged with implementing rural development policy. For a new rural development department to be created, programs would need to be explicitly enacted for rural development. Many of the current rural development programs have dual rural/urban constituencies. The Small Business Administration is charged with serving small businesses whether in rural or urban areas. The Department of Education implements its programs to rural and urban schools. Food stamps are distributed regardless of residency (which creates inequities). How a new department would relate to these ongoing programs would need to be resolved if a new rural development department were created.

Conclusions and Implications

In order to address the problems and needs of rural areas in a comprehensive manner, the following actions must take place:

- Recognize that rural problems are sufficiently unique to require special emphasis and, in some instances, special programs.
- Establish priorities on goals and on programs within goals.
- Achieve the flexibility to address problems as they exist and to adapt programs to problems.
- Obtain a commitment at all levels of government to deal with the problems.
- Recognize that some problems cannot be solved by either local or state governments without federal leadership and assistance.
- Encourage a long-run private and public sector commitment to deal with rural development issues and problems.
- Identify and train leadership for change.

Past neglect and the ingrained nature of rural development problems will require sustained efforts and federal commitments. With such efforts and commitments, rural America can be a good place to live and work.

Federal Programs Assisting Rural Areas and People

FOCUS ON THE FUTURE

Federal Programs Assisting Rural Areas and People

Policy Issue

Financing and Providing Rural Public Services

Federal Programs

- Department of Transportation
  - Federal Highway Administration - Roads
  - Urban Mass Transit Administration - Transit systems
  - Federal Aviation Administration
    - Airport construction
    - Essential air service subsidies
  - Federal Railroad Administration
    - State grants to acquire rail lines

- Environmental Protection Agency
  - Wastewater construction grants

- Department of Housing and Urban Development
  - Federal Housing Authority (FHA) and Veterans Administration insured loans

- Department of Agriculture
  - Farmers Home Administration (FmHA)
    - Rural water and waste disposal loans and grants
    - Essential community facilities loans
    - Single and multiple family housing loans
    - Rural rental assistance
    - Rural housing preservation grants
    - Farm labor and housing loans and grants
  - Rural Electrification Administration
    - Rural electric, telephone, and cable TV loans
  - U.S. Forest Service
    - Rural fire protection
    - Schools and roads, grants to counties
    - National forests receipts
    - In lieu of payments (taxes)

- Department of the Treasury
  - Tax policy - tax exempt bonds

- Department of Health and Human Services
  - Social Services
    - Aging
    - Migrants
    - Rehabilitation

- Appalachian Regional Commission (ARC)
  - Support for physical infrastructure
  - Development Highway System
    - Local Access Roads

- Department of Commerce
  - Public telecommunications facilities - construction and planning (grants)

Policy Issue | **Federal Programs**

Natural Resources Policy

- Department of Interior
  - Bureau of Land Management
  - Wetlands Preservation
  - Bureau of Reclamation
  - Fisheries and Wildlife Services
  - Bureau of Outdoor Recreation
  - Surface Mining Control and Reclamation Act
- Department of Agriculture
  - U.S. Forest Service
    - Reforestation tax incentives
    - In lieu of payments (taxes)
  - Agricultural Stabilization Conservation Service
    - Forest incentive program
    - Conservation Reserve Program
    - "Sodbuster" and "Swampbuster" Programs (Wetlands)
  - Farmers Home Administration (FmHA)
    - Soil and water loans
    - Watershed protection and flood prevention loans
    - Conservation Easements
  - Soil Conservation Service
    - Resource Conservation and Development (RC&D)
    - Conservation Compliance
- Federal Emergency Management Agency
  - Flood insurance
- Environmental Protection Agency
  - Safe Drinking Water Act
  - Clean Water Act
  - Resource Conservation and Recovery Act
  - Superfund
- Department of Defense, Army
  - Corps of Engineers

Rural Income and Employment

- Department of Labor
  - Employment Service
  - Unemployment Insurance
  - Job Training Partnership Act (JTPA)
    - Grants for training economically disadvantaged youth and adults
    - Subsidies for summer jobs for low-income youth
    - Help for dislocated workers training for new careers
    - Job training and employment assistance to Native Americans, migrant and seasonal farm workers, and veterans
    - Job Corps for disadvantaged youth
    - Senior Community Service Employment Program
- Department of Health and Human Services
  - Social Security (retirement, disability, and survivors)
- Department of Commerce
  - Economic Development Administration
    - Title I: Public Works Assistance

Policy Issue | **Federal Programs**

    - Title II: Business Loan Guarantee Program
    - Title III: Assistance to Communities to Plan for Economic Growth
      - Technical assistance to uncover causes of unemployment and provide assistance in attracting industry
      - Economic research
    - Title IX: Economic Adjustment Assistance
      - Communities with long-term economic distress
        - Revolving loan programs
      - Sudden and severe economic distress
  - Minority Business Development

- Small Business Administration
  - Small Business Development Centers
  - Small business loans and grants
  - Small business management and technical assistance
  - Economic injury disaster loans
  - Local development company loans
  - Procurement Assistance Program
  - Minority Small Business Capital Ownership Development Program

- Tennessee Valley Authority (TVA)

- Appalachian Regional Commission (ARC)

- Department of Agriculture
  - Commodity Credit Corporation (CCC)
    - Loans and payments
  - Farmers Home Administration (FmHA)
    - Business and Industry (B&I) Loan Program
  - U.S. Forest Service
    - Job Corps' Civilian Conservation Corp (CCC)
    - Senior Community Service Employment Program (SCSEP)
    - Youth Conservation Corp (YCC)
    - Volunteers in the National Forest (VOL's)
    - Hosted Human Resource Program

- Environmental Protection Agency
  - Senior Environmental Employment Program

- Department of Housing and Urban Development
  - Community Development Block Grants (CDBG)
  - Urban Development Action Grants (UDAG)

Education and Retraining

- Department of Education
  - Improving Schools Program - State Block Grants
  - Headstart
  - Follow Through
  - Educationally deprived children
  - Special education and rehabilitation
  - Vocational and adult education
  - Bilingual and Minority Language Program
  - Educational Laboratories
  - Talent Search
  - Upward Bound
  - Student support services
  - Public library construction grants

Policy Issue **Federal Programs**

- Department of Agriculture
  - Cooperative Extension Service
  - U.S. Forest Service
    - Schools and roads, grants to counties

- Department of Labor
  - Job Training Partnership Act (JTPA)
    - Grants for training economically disadvantaged youth and adults
    - Subsidies for summer jobs for low-income youth
    - Help for dislocated workers training for new careers
    - Job training and employment assistance to Native Americans, migrant and seasonal farm workers, and veterans
    - Job Corps for disadvantaged youth

- Appalachian Regional Commission (ARC)
  - Educational and training needs

Reducing Rural Poverty

- Department of Health and Human Services
  - Rural Poverty-Public Assistance, AFDC
  - Supplemental Security Income (SSI)
    - Social Security (retirement, disability, and survivors)
    - Community Services Block Grants

- Department of Agriculture
  - Food and Nutrition
    - Food Stamps
    - School Lunches
    - Women, infants and children (WIC)

- Department of Energy
  - Weatherization assistance for low-income persons
  - Low Income Home Energy Assistance

- Department of Housing and Urban Development
  - Community Development Block Grants (CDBG)
  - Rural Rental Rehabilitation
  - Rural Partners in Self-Sufficiency
    - Assist low-income families to gain financial independence

- Department of Labor
  - Employment Service
  - Unemployment Insurance
  - Job Training Partnership Act (JTPA)
    - Grants for training economically disadvantaged youth and adults
    - Subsidies for summer jobs for low-income youth
    - Help for dislocated workers training for new careers
    - Job training and employment assistance to Native Americans, migrant and seasonal farm workers, and veterans
    - Job Corps for disadvantaged youth

Health Systems

- Department of Agriculture
  - Farmers Home Administration (FmHA)
    - Essential community facilities loans

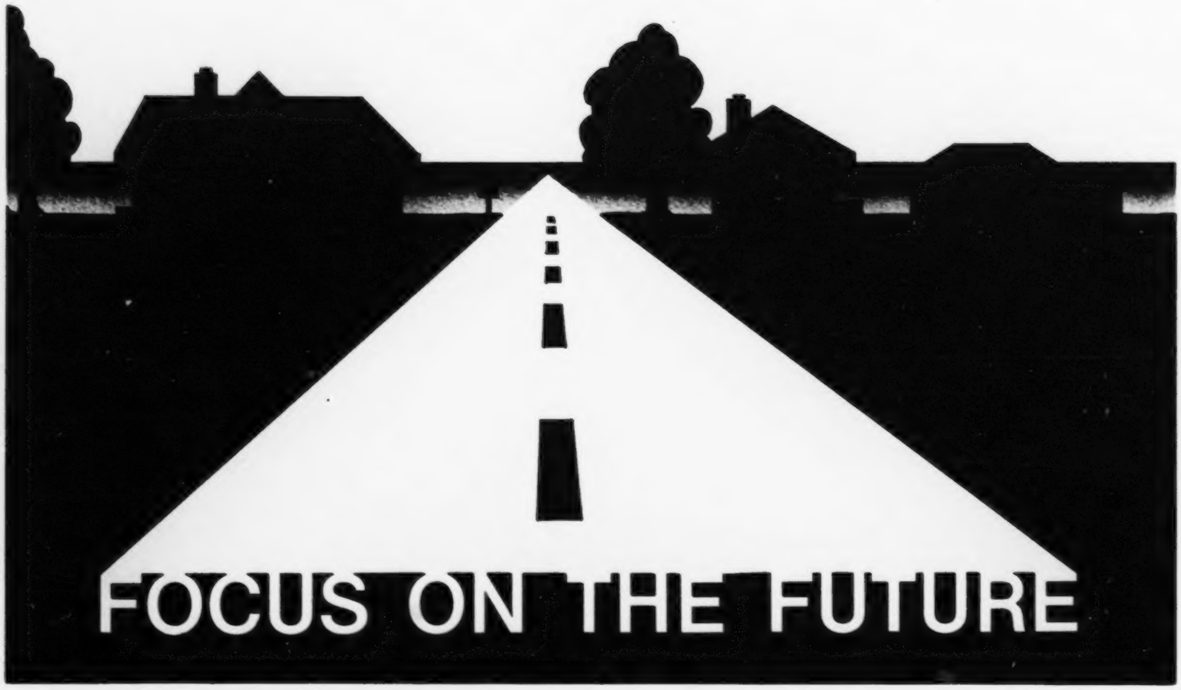
Policy Issue

Federal Programs

- Department of Health and Human Services
  - Medical and hospital benefits
    - Medicare
    - Medicaid
  - Community Health Centers
  - Migrant Health Centers
  - Rural mental health demonstration projects
  - National Health Service Corps
  - Area Health Education Centers
    - Health profession training programs
  - Preventive Healthand Health Services Block Grants (to states)
  - Indian Health Service (IHS)
  - U.S./Mexico Border Initiative
    - Improve health care along border from California to Texas
  - Frontier Initiative
    - Provide primary care services to isolated rural areas

- Appalachian Regional Commission (ARC)
  - Assistance to rural hospitals and clinics

Appendices


FOCUS ON THE FUTURE

Appendix A: Program Agendas

NORTH CENTRAL REGION
RURAL DEVELOPMENT POLICY OPTIONS WORKSHOP
September 19-21, 1988

MONDAY, SEPTEMBER 19

Chair: Lothar Wolter, President, Minnesota Association of Townships

10:00 - 1:00	**Registration**
1:00 - 1:10	**Welcome** Gail Skinner: Associate Director Cooperative Extension Service University of Minnesota
1:10 - 1:30	**Keynote Address** George Latimer: Mayor, St. Paul, MN Chrm., National League of Cities Special Task Force on Urban-Rural Disparities
1:30 - 2:00	**Economic Status of Rural America** Ken Deavers: Director Agricultural & Rural Econ. Div. Economic Research Service/USDA
2:00 - 2:12	**Building a Vital Rural America** Ron Knutson: Economist/Marketing and Policy Texas Agricultural Extension Service Texas A&M University
2:12 - 2:24	**Issues of the Rural Midwest** Janet Ayres: Rural Development Specialist Cooperative Extension Service Purdue University
2:24 - 3:00	**Break**
3:00 - 3:15	**State Perspective on Midwest Issues** Phil Smith: Director Iowa Office for State/Federal Relations Washington, D.C.
3:15 - 3:30	**Local Perspective on Midwest Issues** Rick Chapman: Executive Director Two Rivers Regional Council of Public Officials (Illinois)

3:30 - 3:42	**Results of Issues Survey** Paul Warner: Asst. Dir., Development and Training Cooperative Extension Service University of Kentucky
3:42 - 4:40	**Roundtable Setting of Priority Issues**
4:40 - 5:10	**Selected Roundtable Reports**
6:00 - 7:00	**Reception (Cash Bar)**

TUESDAY, SEPTEMBER 20

Chair: Michael Boelhje, Professor and Head, Department of Agricultural Economics, University of Minnesota

8:20 - 8:30	**Operating Procedures/Report on Issues Consensus**
8:30 - 8:42	**Income and Employment Policy** Dennis Fisher: Economist/Business Development Texas Agricultural Extension Service Texas A&M University
8:42 - 8:54	**Leadership Policy** Dan Otto: Professor and Extension Economist Cooperative Extension Service Iowa State University
8:54 - 9:06	**Response to Income and Employment Presentation** Al Collet: Manager, Business Development Iowa Area Development Group
9:06 - 9:18	**Financing and Providing Rural Public Services** Dave Chicoine: Professor and Head, Agric. Economics Professor, Institute of Govt. & Public Affairs University of Illinois
9:18 - 9:30	**Response to Public Services Presentation** Juanita Donahue: Executive Secretary Missouri Association of Counties
9:30 - 10:40	**Roundtable on Policy Options: Income & Employment, Rural Public Services (Break for coffee and move to preferred roundtables)**
10:40 - 11:10	**Selected Roundtable Reports**
	Chair: Tom Stinson, Professor, Agricultural Economics, Univ. of Minnesota
11:10 - 11:22	**Rural Health Policy** Jon Christianson: Professor, School of Public Health University of Minnesota
11:22 - 11:34	**Response to Health Policy Presentation** Steve Wilhide: President Southern Ohio Health Services

11:34 - 11:46	**Education, Retraining, and Relocation Policy**		
	Daryl Hobbs:	Director, Office of Social and Economic Data Analysis Professor, Rural Sociology University of Missouri	
11:46 - 11:58	**Response to Education Presentation**		
	Ruth Randall:	Commissioner Minnesota Department of Education	
11:58 - 1:00	**Lunch**		
1:00 - 2:00	**Roundtable on Policy Options: Education, Health**		
2:00 - 2:30	**Selected Roundtable Reports**		
2:30 - 3:00	**Break**		
3:00 - 3:12	**Rural Poverty**		
	Fred Woods:	Economist/Public Policy Extension Service - USDA	
3:12 - 3:24	**Response to Rural Poverty Presentation**		
	Valerie Jerich:	Director, Economic Opportunity Minn. Dept. of Jobs and Training	
3:24 - 3:36	**Natural Resource Policies and Rural Development**		
	Roy Carriker:	Professor, Food and Resource Economics University of Florida	
3:36 - 3:48	**Response to Natural Resource Presentation**		
	Ron Krupicka:	Center for Rural Affairs Hartington, NE	
3:48 - 4:43	**Roundtable on Policy Options: Rural Poverty, Natural Resources**		
4:43 - 5:15	**Selected Roundtable Reports**		

WEDNESDAY, SEPTEMBER 21

Chair: Terence Stone, Executive Director, Region 9 Development Commission

8:00 - 8:12	**Developing a Comprehensive Rural Policy**		
	Glen Pulver:	Professor, Agricultural Economics University of Wisconsin	
8:12 - 8:32	**Federal Role in Rural Development Policy**		
	Don Norton:	Executive Director Rural Affairs Council Springfield, IL	
8:32 - 8:52	**State Role in Rural Development Policy**		
	Randy Wade:	Administrator, Research and Planning Department of Development State of Wisconsin	

8:52 - 9:12	**Local Role in Rural Development Policy** Kaye Braaten: County Commissioner Richland County Barney, ND
9:12 - 10:35	**Roles Roundtable (Break for coffee and move to preferred roundtables)**
10:35 - 11:05	**Selected Roundtable Reports**
11:05 - 11:20	**Wrap-Up**
11:20 - 1:20	**State Luncheons**

NORTHEAST REGION
RURAL DEVELOPMENT POLICY OPTIONS WORKSHOP
September 28-30, 1988

WEDNESDAY, SEPTEMBER 28

Chair: David Allee, Professor, Agricultural Economics, Cornell University

10:00 - 1:00	**Registration**
1:00 - 1:10	**Welcome** David Call: Dean, College of Agriculture and Life Sciences Cornell University
1:10 - 1:30	**Workshop Introduction** Ron Knutson: Economist/Marketing and Policy Texas Agricultural Extension Service Texas A&M University
1:30 - 2:00	**Economic Status of Rural America** Norman Reid: Rural Businesss and Govt. Branch Economic Research Service/USDA
2:00 - 2:12	**Building a Vital Rural America** Ron Knutson: Texas Agricultural Extension Service
2:12 - 2:24	**Issues of the Rural Northeast** Christine Ranney: Professor, Agricultural Economics Cornell University
2:24 - 3:00	**Break**
3:00 - 3:15	**State Perspective on Issues** Phil Smith: Office for State-Federal Relations Washington, D.C.
3:15 - 3:30	**Local Perspective on Northeast Issues** John J. Kelly: County Commissioner Essex County, New York
3:30 - 3:42	**Results of Issues Survey** Paul Warner: Asst. Dir., Development and Training Kentucky Cooperative Extension Service
3:42 - 4:40	**Roundtable Setting of Priority Issues**
4:40 - 5:10	**Selected Roundtable Reports**
6:00 - 7:00	**Reception (Cash Bar)**

THURSDAY, SEPTEMBER 29

Chair: Walt Armbruster, Associate Managing Director, Farm Foundation

8:20 - 8:30	**Operating Procedures/Report on Issues Consensus**
8:30 - 8:42	**Income and Employment Policy** Bill Gillis: Director Center for Rural Pennsylvania
8:42 - 8:54	**Policies for Managing Change** Rick Feldman: Chairman, Mass. Rural Dev. Council Director, Univ. of Mass. Center for Economic Development
8:54 - 9:06	**Response to Income and Employment Presentation** Nancy DuBosque: Director, Economic Development Franklin Co. Community Dev. Corp., Greenfield, Massachusetts
9:06 - 9:18	**Financing and Providing Rural Public Services** Rod Clouser: Professor, Agricultural Economics University of Florida
9:18 - 9:30	**Response to Public Services Presentation** Ralph Tabor: Legislative Director National Association of Counties
9:30 - 10:40	**Roundtable on Policy Options: Income & Employment, Rural Public Services (Break for coffee and move to preferred roundtables)**
10:40 - 11:10	**Selected Roundtable Reports**
11:10 - 11:28	**Natural Resource Policies and Rural Development** Roy Carriker: Professor, Food and Resource Economics University of Florida
11:28 - 11:46	**Education, Retraining, and Relocation Policy** Luther Tweeten: Professor, Agricultural Economics Ohio State University
11:46 - 11:58	**Response to Education Presentation** P. Alistair MacKinnon: Coordinator Federal Education Legislation New York State Education Dept.
11:58 - 1:00	**Buffet Lunch**

Chair: Jerry Coopey, Program Analyst, Office of Rural Health Policy

1:00 - 2:00	**Roundtable: Education, Natural Resources**
2:00 - 2:30	**Selected Roundtable Reports**
2:30 - 3:00	**Break**

3:00 - 3:12	**Rural Health Policy** Tom Bruce: Program Director W.K. Kellogg Foundation
3:12 - 3:24	**Response to Rural Health Presentation** Nona Boyink: Vice President, Director of Primary Care Kennebec Valley Regional Health Agency Waterville, Maine
3:24 - 3:36	**Rural Poverty** Dennis Fisher: Economist/Business Development Texas Agricultural Extension Service Texas A&M University
3:36 - 3:48	**Response to Poverty Presentation** Ivar Holmquist: Regional Director Evangelical Lutheran Church of America Baltimore, Maryland
3:48 - 4:43	**Roundtable: Rural Poverty, Rural Health**
4:43 - 5:15	**Selected Roundtable Reports**

FRIDAY, SEPTEMBER 30

8:00 - 8:12	**Developing a Comprehensive Rural Policy** Glen Pulver: Professor, Agricultural Economics University of Wisconsin
8:12 - 8:32	**Federal Role in Rural Development Policy** Bill Bivens: Projects Director National Assn. of Dev. Organizations
8:32 - 8:52	**State Role in Rural Development Policy** The Honorable Charles Cook State Senator, New York
8:52 - 9:12	**Local Role in Rural Development Policy** Gilbert Longwell: Director of Special Projects Pennsylvania State Association of Township Supervisors
9:12 - 10:35	**Roles Roundtable (Break for coffee and move to preferred roundtables)**
10:35 - 11:05	**Selected Roundtable Reports**
11:05 - 11:20	**Wrap-Up**
11:20 - 1:20	**State Luncheons**

SOUTHERN REGION
RURAL DEVELOPMENT POLICY OPTIONS WORKSHOP
October 3-5, 1988

MONDAY, OCTOBER 3

Chair: Gus Mutscher, County Judge, Washington County, Texas
President-Elect, National Association of Regional Councils

10:00 - 1:00	**Registration**
1:00 - 1:10	**Welcome** James Martin: President, Auburn University
1:10 - 1:30	**Keynote Address** The Honorable Guy Hunt Governor of Alabama
1:30 - 2:00	**Economic Status of Rural America** Ken Deavers: Director Agricultural & Rural Econ. Div. Economic Research Service/USDA
2:00 - 2:12	**Building a Vital Rural America** Ron Knutson: Economist/Marketing & Policy Texas Agricultural Extension Service Texas A&M University
2:12 - 2:24	**Issues of the Rural South** James Hite: Professor, Agricultural Economics Clemson University
2:24 - 3:00	**Break**
3:00 - 3:15	**State Perspective on Rural Issues** Phil Smith: Office for State/Federal Relations Washington, D.C.
3:15 - 3:30	**Local Perspective on Southern Issues** Reavis Dixon: Chairman, County Commissioners Ware County, Georgia
3:30 - 3:42	**Results of Issues Survey** Greg Taylor: Community Development Specialist and Project Supervisor Texas Agricultural Extension Service Texas A&M University
3:42 - 4:40	**Roundtable Setting of Priority Issues**
4:40 - 5:10	**Selected Roundtable Reports**
6:00 - 7:00	**Reception (Cash Bar)**

TUESDAY, OCTOBER 4

Chair: Warren McCord, Community Resource Development Program Leader
Alabama Cooperative Extension Service, Auburn University

8:20 - 8:30	**Operating Procedures/Report on Issues Consensus**
8:30 - 8:54	**Education, Retraining and Relocation Policy** David Mulkey: Professor, Agricultural Economics University of Florida
8:54 - 9:06	**Response to Education Presentation** The Honorable Jodie Mahony State Representative, Arkansas
9:06 - 9:18	**Income and Employment Policy** Dennis Fisher: Economist/Business Development Texas Agricultural Extension Service Texas A&M University
9:18 - 9:30	**Response to Income and Employment Presentation** John L. Bruner II: Executive Director Cumberland Valley Area Dev. District London, Kentucky
9:30 - 10:40	**Roundtable on Policy Options: Income and Employment, Education and Retraining** **(Break for coffee and move to preferred roundtables)**
10:40 - 11:10	**Selected Roundtable Reports**
11:10 - 11:22	**Rural Poverty** Fred Woods: Economist/Public Policy Extension Service - USDA
11:22 - 11:34	**Response to Rural Poverty Presentation** William Troy: Commission on Religion in Appalachia Knoxville, Tennessee
11:34 - 11:46	**Rural Health Policy** Sam Cordes: Professor and Head Agricultural Economics University of Wyoming
11:46 - 11:58	**Response to Health Presentation** Roland Gardner: Executive Director Beauford-Jasper Comp. Health Services Ridgeland, South Carolina
11:58 - 1:00	**Buffet Lunch**
1:00 - 2:00	**Roundtable on Policy Options: Poverty, Health**
2:00 - 2:30	**Selected Roundtable Reports**
2:30 - 3:00	**Break**

3:00 - 3:12 **Natural Resource Policies and Rural Development**
Roy Carriker: Professor, Food and Resource Economics
University of Florida

3:12 - 3:24 **Response to Natural Resource Presentation**
John Needy: Manager, Natural Resources
Valley Resource Center
Tennessee Valley Authority

3:24 - 3:36 **Financing and Providing Rural Public Services**
Rod Clouser: Professor, Agricultural Economics
University of Florida

3:36 - 3:48 **Response to Public Services Presentation**
George Israel: Former mayor of Macon, Georgia

3:48 - 4:43 **Roundtable: Natural Resources, Public Services**

4:43 - 5:15 **Selected Roundtable Reports**

WEDNESDAY, OCTOBER 5

Chair: John Hines, Chief, State Planning and Economic Development
Alabama Department of Economic and Community Affairs

8:00 - 8:12 **Developing a Comprehensive Rural Policy**
Glen Pulver: Professor, Agricultural Economics
University of Wisconsin

8:12 - 8:32 **Federal Role in Rural Development Policy**
Dave Freshwater: Senior Economist
Joint Economic Committee of Congress

8:32 - 8:52 **State Role in Rural Development Policy**
Harry Miley, Jr.: Senior Exec. Asst. for Econ. Dev.
Governor's Office, South Carolina

8:52 - 9:12 **Local Role in Rural Development Policy**
The Honorable Gerald Thompson
Mayor of Fitzgerald, Georgia

9:12 - 10:35 **Roles Roundtable (Break for coffee and move to preferred roundtables)**

10:35 - 11:05 **Selected Roundtable Reports**

11:05 - 11:20 **Wrap-Up**

11:20 - 1:20 **State Luncheons**

WESTERN REGION
RURAL DEVELOPMENT POLICY OPTIONS WORKSHOP
October 11-13, 1988

TUESDAY, OCTOBER 11

Chair: Russ Youmans, Director, Western Rural Development Center
Oregon State University

10:00 - 1:00	**Registration**
1:00 - 1:10	**Welcome** Elwood Miller: Associate Director Cooperative Extension Service University of Nevada - Reno
1:10 - 1:30	**Introduction of Keynote Speaker** Larry Branen: Dean, College of Agriculture University of Idaho
	Keynote Address The Honorable Cecil D. Andrus Governor of Idaho
1:30 - 2:00	**Economic Status of Rural America** Richard Long: Agricultural & Rural Econ. Division Economic Research Service/USDA
2:00 - 2:12	**Building a Vital Rural America** Bruce Weber: Professor, Agricultural Economics Oregon State University
2:12 - 2:24	**Issues of the Rural West** Mike Woods: Professor, Agricultural Economics Oklahoma State University
2:24 - 3:00	**Break**
3:00 - 3:15	**State Perspective on Issues** Tom Unruh: Senior Policy Analyst Center for Policy Research National Governors' Association
3:15 - 3:30	**Local Perspective on Western Issues** Dale White: County Judge Harney County, Oregon
3:30 - 3:42	**Results of Issues Survey**
3:42 - 4:40	**Roundtable Setting of Priority Issues**
4:40 - 5:10	**Selected Roundtable Reports**
6:00 - 7:00	**Reception (Cash Bar)**

WEDNESDAY, OCTOBER 12

Chair: James Barron, Professor and Extension Economist, Oregon State University

8:20 - 8:30	**Operating Procedures/Report on Issues Consensus**
8:30 - 8:48	**Natural Resource Policies and Rural Development** Lawrence W. Libby: Professor and Chairman Food and Resource Economics University of Florida
8:48 - 9:06	**Public Lands Policy** Tom Harris: Professor, Agricultural Economics University of Nevada - Reno
9:06 - 9:18	**Financing and Providing Rural Public Services** George Goldman: Economist, Cooperative Ext. Service University of California at Berkeley
9:18 - 9:30	**Response to Public Services Presentation** John Tontz: County Commissioner East Wenatchee, Washington
9:30 - 10:40	**Roundtable on Policy Options: Natural Resources, Rural Public Services (Break for coffee and move to preferred roundtables)**
10:40 - 11:10	**Selected Roundtable Reports**
11:10 - 11:22	**Rural Health Policy** Sam Cordes: Professor and Head Agricultural Economics University of Wyoming
11:22 - 11:34	**Response to Health Policy Presentation** Marsha Kilgore: Manager, Office of Rural Health Oregon Department of Human Resources
11:34 - 11:46	**Income and Employment Policy** Dennis Fisher: Economist/Business Development Texas Agricultural Extension Service Texas A&M University
11:46 - 11:58	**Response to Income and Employment Presentation** Ed Meyer: Director of Rural Development Business and Economic Development State of Utah
11:58 - 1:00	**Lunch**
1:00 - 2:00	**Roundtable: Health, Income and Employment**
2:00 - 2:30	**Selected Roundtable Reports**
2:30 - 3:00	**Break**

3:00 - 3:12 **Education, Retraining and Relocation Policy**
Paul Nachtigal: Director, Rural Education Project
Mid-Continent Regional Education Lab

3:12 - 3:24 **Response to Education Presentation**
John Kohl: Department of Education
Montana State University

3:24 - 3:36 **Rural Poverty**
Fred Woods: Economist/Public Policy
Extension Service - USDA

3:36 - 3:48 **Response to Poverty Presentation**
Henry Carey: Director, Forest Trust
Santa Fe, New Mexico

3:48 - 4:43 **Roundtable: Rural Poverty, Education**

4:43 - 5:15 **Selected Roundtable Reports**

THURSDAY, OCTOBER 13

Chair: Homer Chandler, Executive Director, Mountainland Association of Governments, Provo, Utah

8:00 - 8:12 **Developing a Comprehensive Rural Policy**
Ron Knutson: Economist/Marketing and Policy
Texas Agricultural Extension Service
Texas A&M University

8:12 - 8:32 **Federal Role in Rural Development Policy**
Andy Gross: Executive Director
Commission on Economic Development
State of Nevada

8:32 - 8:52 **State Role in Rural Development Policy**
Dan Hauser: Assemblyman, State of California

8:52 - 9:12 **Local Role in Rural Development Policy**
Bill Hansell: President of Assn. of Oregon Counties

9:12 - 10:35 **Roles Roundtable (Break for coffee and move to preferred roundtables)**

10:35 - 11:05 **Selected Roundtable Reports**

11:05 - 11:20 **Wrap-Up**

11:20 - 1:20 **State Luncheons**

Appendix B: Biographies of Program Personalities

CECIL D. ANDRUS has served three terms as governor of Idaho. He resigned during his second term to serve a four-year tenure as U.S. Secretary of the Interior. He returned to Idaho in 1981 to establish his own natural resources consulting firm and was re-elected governor in 1986. He is a native of Oregon and attended Oregon State University.

JANET AYRES is assistant professor of agricultural economics at Purdue University and an extension specialist in rural development with the Indiana Cooperative Extension Service. Ayers received her Ph.D. from Purdue. Her primary area of work involves the linkage between agriculture and rural communities and the changing structure of rural communities.

BILL BIVENS is projects director for the National Association of Development Organizations.He is a native of Texas and received a B.A. in government economics, finance and history from the University of Texas. His primary area of work is in rural economic development and municipal finance.

NONA BOYINK is vice president and director of primary care for the Kennebec Valley Regional Health Agency, a not-for-profit health care delivery and development organization in Waterville, Maine. Her primary responsibilities include management of 10 rural health centers serving 60,000 people in central Maine. She received a master's degree in education from the University of South Carolina.

KAYE BRAATEN is a county commissioner in Richland County, North Dakota. She is a native of Minnesota and received her R.N. from St. Francis School of Nursing at Breckenridge. She was recently elected third vice president of the National Association of Counties.

ALAN E. COLLET is manager of business development for the Iowa Area Development Group. He is a native of Missouri and received a master's degree in urban politics from the University of Missouri. He has experience in state rural development program management as well as in the private sector.

THOMAS BRUCE is program director for the W. K. Kellogg Foundation in Battle Creek, Michigan. Bruce earned an M.D. from the University Medical Center in Little Rock, Arkansas. His work focuses on efforts to increase the supply of physicians in rural areas and to improve the quality of medical education.

JOHN L. BRUNER II is executive director of the Cumberland Valley Area Development District in Kentucky. He is a native of Kentucky and a graduate of Union College. His agency has responsibility for economic development within an eight-county area.

HENRY CAREY is director of Forest Trust in Santa Fe, New Mexico. The Trust is dedicated to the protection and improvement of the nation's forests, and Carey has responsibility for overall administration, project management, fund raising and research for the organization. He has a master's degree in forestry from Colorado State University.

ROY CARRIKER is a professor of agricultural economics in the Institute of Food and Agricultural Sciences at the University of Florida. He is a native of Illinois and received his Ph.D. from Virginia Polytechnic Institute and State University. His primary area of work is public policy as it relates to agriculture and natural resources.

RICHARD CHAPMAN is executive director of the Two Rivers Regional Council of Public Officials in Illinois. He is a native of Phoenix, Arizona, and a graduate of Phoenix College. He is a member of the Rural Policy Development Task Force of the National Association of Regional Councils.

DAVID CHICOINE is a professor in the Institute of Government and Public Affairs at the University of Illinois and head of the Agricultural Economics Department. He received a Ph.D. from the University of Illinois and is a national authority on rural government finance.

JON CHRISTIANSON is professor of health services research and policy in the School of Public Health at the University of Minnesota. He is a native of Minnesota and received a Ph.D. from the University of Wisconsin. His primary area of work involves research on health policy issues and rural health care.

RODNEY CLOUSER is a professor of agricultural economics at the University of Florida and received a Ph.D. from Purdue University. His primary area of work is in state and local government finance.

CHARLES COOK is a New York state senator. He is a native of New York and has a B.A. in political science from Hartwick College. Sen. Cook has spearheaded rural development legislative efforts in New York.

SAM M. CORDES is professor and head of the Department of Agricultural Economics at the University of Wyoming. Cordes is a native of South Dakota and received his Ph.D. in agricultural economics from Washington State University.

KENNETH L. DEAVERS is director of the Agriculture and Rural Economy Division of the Economic Research Service/USDA. He is a native of Nebraska and received his M.A. in economics from the University of Chicago. He was the initiator and director of a recently published USDA study of the economic status of rural America.

REAVIS E. DIXON is chairman of the Board of County Commissioners in Ware County, Georgia. He serves on the Transportation Committee of the Association of County Commissioners of Georgia and on the Agriculture and Rural Affairs Committee of the National Association of Counties.

JUANITA DONEHUE is executive director of the Missouri Association of Counties. She is a native of Missouri and received her M.A. in consumer economics from the University of Missouri at Columbia. Donehue has developed a reputation as a national leader in the development of state, federal and county rural finance programs.

NANCY DuBOSQUE is director of economic development for Franklin County Community Development Corp. of Greenville, Massachusetts. She is a native of New York and has a master's in administration and management. DuBosque's primary area of work is in rural economic development.

RICK FELDMAN is Community Resource Development state program director for the Cooperative Extension Service at the University of Massachusetts. He received a master's degree in public administration and public policy from the University of Massachusetts and is completing requirements for a Ph.D. in political science. His primary responsibilities focus on rural and economic development.

DENNIS FISHER is an economist and business management specialist in community development for the Texas Agricultural Extension Service of the Texas A&M University System. He is a native of Washington and received his Ph.D. from Michigan State University. Fisher has been a leader in the development of modern management systems for rural communities and in rural development policy.

DAVE FRESHWATER is a senior economist with the Joint Economic Committee of Congress. He is a native of Canada and received his Ph.D. from Michigan State University. Freshwater's work for the Committee focuses on agriculture and rural policy.

ROLAND GARDNER is executive director of the Beauford-Jasper County Health Services. He is a native of South Carolina and received a master's degree from Howard University. He also has a Certificate of Health Administration.

WILLIAM R. GILLIS is director of the Center for Rural Pennsylvania, an agency of the Pennsylvania General Assembly. He is a native of Washington and received a Ph.D. in agricultural economics from the University of Wisconsin. His primary area of work is in state and local economic development policy and planning.

GEORGE GOLDMAN is an economist with the Cooperative Extension Service at the University of California at Berkeley. He is a native of New York and received his master's degree in operational research from MIT. Goldman's primary area of expertise is in rural development, resource economics and local government finances.

ANDY GROSS is executive director of the Nevada Commission on Economic Development. In 1983 he was chief of staff for Gov. Richard Bryan of Nevada and wrote the state's economic development and tourism legislation.

WILLIAM S. (BILL) HANSELL is a county commissioner in Umatilla County Oregon. He is a native of Oregon and received a B.S. in political science from the University of Oregon. Hansell is president of the Association of Oregon Counties and was selected as one of the 1987 Outstanding County Officials by the National Conference of Republican County Officials.

THOMAS R. HARRIS is an associate professor of agricultural economics at the University of Nevada in Reno. Harris received his Ph.D. from Oklahoma State University and conducts research and extension work in the area of community development in rural Nevada.

DAN HAUSER is an assemblyman for the state of California and author of the state's Rural Renaissance Bill. He is chairman of the Assembly Housing and Community Development Committee and former chairman of the Rural Economic Subcommittee. Hauser is a native of California and a graduate of Humboldt State University.

JAMES HITE is alumni professor of agricultural economics at Clemson University and editor of **The Review of Regional Studies**. He is a native of Tennessee and has degrees from Clemson and Emory University and was a post-doctoral fellow in regional science at Harvard. Hite's primary area of work is in natural resources management and regional development policy.

DARYL HOBBS is director of the Office of Social and Economic Data Analysis and professor of rural sociology at the University of Missouri. Hobbs is a native of Iowa and received a Ph.D. in rural and general sociology from Iowa State University. He is a nationally recognized authority on the problems of rural schools.

IVAR HOLMQUIST is regional director of the Evangelical Lutheran Church of America with headquarters in Baltimore, Maryland. He is a native of Massachusetts and has a master's degree from Johns Hopkins University. His work focuses on social change, and he has provided leader- ship in evaluating and addressing issues of poverty in rural America.

GEORGE M. ISRAEL III is the former mayor of Macon, Georgia, and president of Asbestos Abatement International, an Atlanta-based firm. He was elected to two four-year terms and succeeded in expanding the level of city services available to citizens while reducing the property tax millage and the total number of city employees.

VALERIE JERICH is director of the Economic Opportunity Office of the Minnesota Department of Jobs and Training. She owned and operated a construction business with her husband before beginning her first job in government service as director of the Minnesota Department of Energy and Economic Development.

SUE H. JONES is a communications specialist in rural development and public policy for the Texas Agricultural Extension Service of the Texas A&M University System. She has a bachelor's degree in journalism and English from Baylor University and served for six years as an editor for the Southern Rural Development Center in Starkville, Mississippi.

JOHN J. KELLY is county supervisor of Schroon, New York, as well as a local funeral director and insurance broker. He is a graduate of Simmons School of Embalming & Mortuary Science. Kelly is a past vice president of the New York State Association of Counties and is a leader in the National Association of Counties and the New York State Association of Towns.

MARSHA KILGORE has been manager of Oregon's Office of Rural Health since its creation in 1979. She is a native of Oregon and received a bachelor's degree in recreation and park management from the University of Oregon. Kilgore is president of the Board of Directors of the National Rural Health Association.

RON KNUTSON is professor of agricultural economics and an economist with the Texas Agricultural Extension Service of the Texas A&M University System. He is a native of Minnesota and received his Ph.D. from the University of Minnesota. His primary area of work is in government policy regarding agriculture, food and rural issues.

JOHN KOHL is a professor in the Department of Education at Montana State University. He is a native of Iowa and obtained a Ph.D. from the University of Oregon. Kohl is a member of the Northwest Education Laboratories and the National Committee for Rural Education.

RON KRUPICKA is team leader for Sustainable Agriculture Progress for the Center for Rural Affairs, Hartington, Nebraska. He is a native of Nebraska and received a master's degree from the University of Nebraska. His work relates primarily to the effective utilization of resources for a progressive agriculture.

GEORGE L. LATIMER is mayor of St. Paul, Minnesota, and chairman of the National League of Cities Special Task Force on Urban-Rural Disparities. He has an LL.D. from Columbia Law School and was a Woodrow Wilson Fellow at the University of Chicago. He also has served on the board of the National League of Cities and is a past president of the organization.

LAWRENCE W. LIBBY is professor and department chair of the Department of Food and Resource Economics at the University of Florida. He is a native of Maine and received his Ph.D. from Cornell University. With a background in land economics and policy analysis, Libby has been on the staff of the Secretary of Agriculture in the Office of Environmental Quality and has conducted research on forest land policy for Resources for the Future, Inc.

RICHARD LONG is associate director of the Agricultural and Rural Economic Development Division of the U.S. Department of Agriculture's Economic Research Service. He is a native of Missouri and obtained a Ph.D. in political science from the University of Missouri.

GILBERT LONGWELL is director of special projects for the Pennsylvania State Association of Township Supervisors. He is a native of Pennsylvania and has a B.S. in geography from Bloomsburg University.

P. ALISTAIR MacKINNON is coordinator of the Office for Federal Legislation of the New York State Education Department. His responsibilities include providing assistance in implementation of selected new federal programs. He has an M.B.A. from the University of Arizona.

JODIE MAHONY is an Arkansas state representative. He received his LL.D. from the University of Arkansas, and his legislative efforts have centered on education and helping the handicapped. Rep. Mahony is a member of the Southwestern Educational Development Laboratory.

ED MEYER is director of rural development for the Utah Department of Business and Economic Development. He has a master's degree in public administration from Brigham Young University.

HENRY W. MILEY, JR. is the senior executive assistant for economic development in the South Carolina Governor's Office. He received a Ph.D. in economics from the University of South Carolina. Miley is responsible for overall policy direction on economic development, job training, and transportation.

ELWOOD MILLER is associate director of the Cooperative Extension Service at the University of Nevado - Reno. He is also associate dean of instruction for the university's College of Agriculture.

DAVID MULKEY is professor of agricultural economics at the University of Florida. He is a native of Alabama and received his Ph.D. from Clemson University. Mulkey's primary area of work centers on regional economics and public policy in relation to local and state governments.

PAUL NACHTIGAL is director of the Mid-Continent Regional Education Laboratory's Rural Education Project. He has a master's degree from the University of Colorado, and his primary area of work involves creating networks among rural schools and linking them with state agencies and institutions of higher education.

JOHN NEEDY is manager of the Natural Resources Department of the Valley Resource Center, Tennessee Valley Authority, Knoxville, Tennessee. He is a native of Kentucky and received a master's degree in resource development from Michigan State University. He is responsible for programs dealing with the development and use of natural resources for environmentally sound economic development in the Tennessee Valley region.

DONALD R. NORTON, SR. is executive director of the Illinois Governor's Rural Affairs Council, an eleven-agency organization designed to promote development in rural Illinois. He received his Ph.D. in political science and public administration from the University of Colorado.

DAN OTTO is a professor in the Department of Economics at Iowa State University. He is a native of Minnesota and received a Ph.D. in agricultural economics from Virginia Polytechnic Institute and State University. His primary area of work involves research and extension education in economic development.

GLEN PULVER is a professor of agricultural economics at the University of Wisconsin. He is a native of Wisconsin and received his Ph.D. in agricultural economics from the University of Wisconsin. Pulver is a nationally recognized authority on the process of rural community growth and on rural development policy.

RUTH E. RANDALL is commissioner of education for the State of Minnesota. She is a former school superintendent and has an Ed.D. in educational administration from the University of Nebraska.

CHRISTINE RANNEY is an assistant professor of agricultural economics at Cornell University. She received a Ph.D. from the University of California at Davis. Her primary area of work is in state and local financing.

J. NORMAN REID is chief of the Rural Business and Government Branch of the Economic Research Service, USDA. He received his Ph.D. in political science from the University of Illinois. In addition to conducting research on economic trends in rural communities, he has research interests in entrepreneurship and rural development policy.

GORDON RIALL is an extension associate with the Texas Agricultural Extension Service of the Texas A&M University System. He is a native of Texas and has a master's degree in agriculture from Texas A&M.

PHIL SMITH is director of the Iowa Office for State/Federal Relations in Washington, D.C. He is a native of Iowa and received a master's degree from the University of Northern Iowa. His primary area of work is representing the Iowa Governor in Washington and the State of Iowa in federal policy decisions. The governor of Iowa recently chaired a Task Force on Rural Development for the National Governors' Association.

RALPH TABOR is legislative director for the National Association of Counties. He has a Masters Honours from St. Andrews University in Scotland. His primary responsibilities include directing and coordinating NACO's legislative representation and policy development implementation.

GREG TAYLOR is an extension community development specialist and project supervisor with the Texas Agricultural Extension Service of the Texas A&M University System. He is a native of Illinois and received his Ph.D. from the University of Kentucky. Taylor's primary area of work is developing and conducting educational programs focusing on linkages between agriculture and community economies.

GERALD THOMPSON is the mayor of Fitzgerald, Georgia, and a member of the Governor's Growth Strategies Commission. He is a native of Fitzgerald and has been mayor of the city for the past 21 years. During that time, Thompson has been active in economic development within the state and serves on numerous state boards including the Georgia Municipal Association, the Municipal Electric Authority, and the Environmental Facilities Authority.

JOHN TONTZ is a county commissioner in Douglas County, Washington. He has served as county commissioner for 12 years and is a member of the state's agriculture and rural development committee. He is also a member of the National Association of Counties.

BILL TROY is staff coordinator for the Economic Transformation Project of the Commission on Religion in Appalachia. He is a native of Virginia and received his degree in theology from Union Theological Seminary in New York. His work focuses on efforts to develop church and community strategies for addressing the economic situation in Appalachia.

LUTHER TWEETEN is a professor of agricultural economics at Ohio State University. He has a Ph.D. from Iowa State University. Tweeten has a long history of outstanding research and leadership in analyzing problems in the rural economy, including problems in education and poverty.

TOM UNRUH is a senior policy analyst at the National Governors' Association Center for Policy Research in Washington, D.C. He is a native of Kansas and a former policy analyst for the Kansas Department of Commerce.

RANDY WADE is administrator of research and planning for the Wisconsin Department of Development. He is a native of Wisconsin and has a master's degree in water resources management from the University of Wisconsin. His primary responsibility involves economic forecasting as it relates to development issues.

PAUL D. WARNER is a sociology professor at the University of Kentucky and assistant director of development and training for the Kentucky Cooperative Extension Service. He has a Ph.D. in rural sociology from Ohio State University and has extensive experience in evaluating change in rural institutions.

BRUCE WEBER is professor of agricultural economics at Oregon State University. He is a native of Washington, D.C., and received a Ph.D. from the University of Wisconsin. Weber's work focuses primarily on the economics of rural development as well as state and local government finances.

DALE WHITE is serving his third six-year term as county judge of Harney County, Oregon. He is a native of Missouri and has a bachelor's degree in accounting from the University of Oregon. He is chairman of the Public Lands Steering Committee of the National Association of Counties and a member of the NACO Board of Directors. White is also president of the Western Interstate Region of Public Land Counties.

STEVE WILHIDE is president of Southern Ohio Health Services. He is a native of Pennsylvania and received a master's degree in social work from the University of Maryland and a master's in rural health care from the University of Pittsburg. His primary area of work is in rural health care.

FRED WOODS is staff leader in agricultural economics and public policy for the federal Extension Service of the U.S. Department of Agriculture. He has specific responsibilities for public policy education programs and provides overall leadership and coordination for Extension programs in farm management and marketing. Woods is a native of Alabama and has a master's degree in agricultural economics from Auburn University.

MIKE D. WOODS is associate professor of agricultural economics at Oklahoma State University and an economist with the Oklahoma Cooperative Extension Service. He is a native of Arkansas and has a Ph.D. in agricultural economics from Oklahoma State University. His primary area of work is in developing and delivering programs in economic development and small business management.

Appendix C: National Steering Committee

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Appendix E: Mail-In Survey

Please take a few moments to advise the planning committee on issues of importance in rural development policy by responding to the following questions. Indicate the importance of the following issues confronting rural communities in your region.

(1 = *not important*, 5 = *very important*)

1. Employment Opportunities 1 2 3 4 5
2. Health Care 1 2 3 4 5
3. Education 1 2 3 4 5
4. Public Services 1 2 3 4 5
5. Poverty 1 2 3 4 5
6. Public Financing 1 2 3 4 5
7. Job Training Programs 1 2 3 4 5
8. Environmental Protection 1 2 3 4 5
9. Housing 1 2 3 4 5
10. Public Land Management 1 2 3 4 5
11. Solid Waste 1 2 3 4 5
12. Federal & State Mandates 1 2 3 4 5
13. Agriculture 1 2 3 4 5
14. Water Quality 1 2 3 4 5
15. Managing Growth 1 2 3 4 5
16. Transportation 1 2 3 4 5
17. Other ____________________ 1 2 3 4 5
18. Other ____________________ 1 2 3 4 5

How adequate are existing programs (federal, state and local) for addressing the following issues?

(1 = *not important*, 5 = *very important*)

1. Employment Opportunities 1 2 3 4 5
2. Health Care 1 2 3 4 5
3. Education 1 2 3 4 5
4. Public Services 1 2 3 4 5
5. Poverty 1 2 3 4 5
6. Public Financing 1 2 3 4 5
7. Job Training Programs 1 2 3 4 5
8. Environmental Protection 1 2 3 4 5
9. Housing 1 2 3 4 5
10. Public Land Management 1 2 3 4 5
11. Solid Waste 1 2 3 4 5
12. Federal & State Mandates 1 2 3 4 5
13. Agriculture 1 2 3 4 5
14. Water Quality 1 2 3 4 5
15. Managing Growth 1 2 3 4 5
16. Transportation 1 2 3 4 5
17. Other ____________________ 1 2 3 4 5
18. Other ____________________ 1 2 3 4 5

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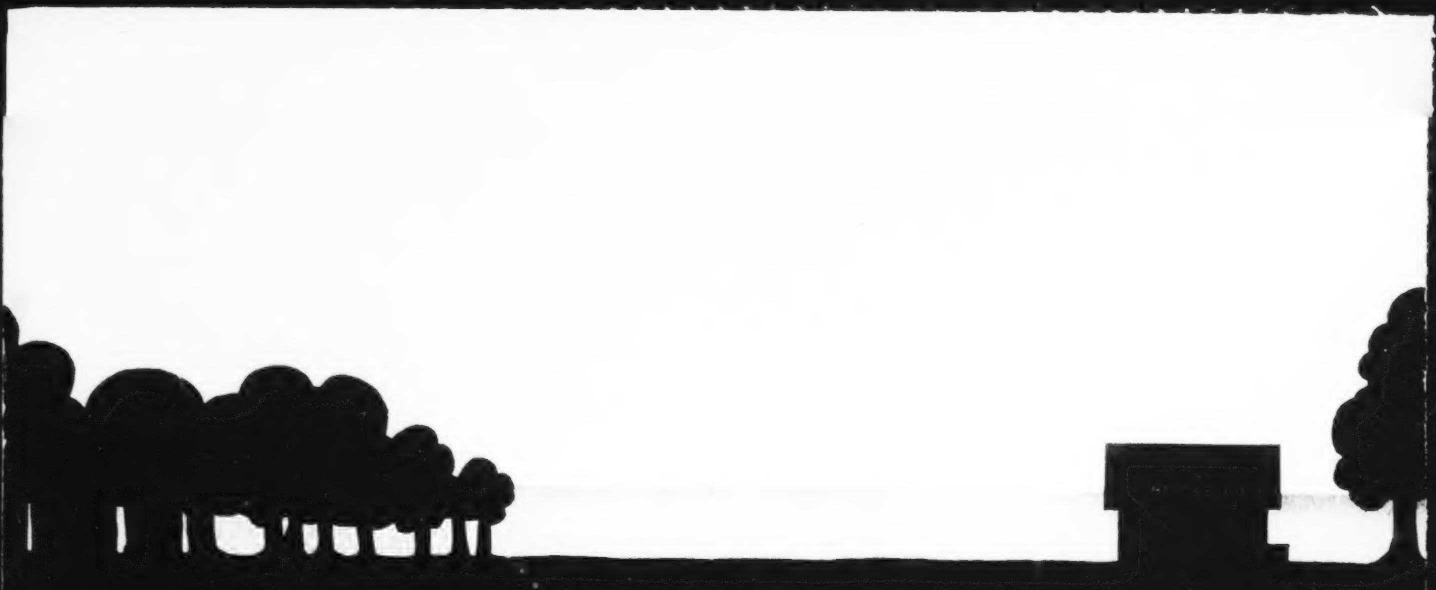

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